



# 2014

Arts Council England  
Grant-in-Aid and Lottery  
distribution annual report  
and accounts

ARTS COUNCIL  
ENGLAND

**Arts Council England Grant-in-Aid and Lottery  
distribution annual report and accounts 2013/14**

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National Lottery Act 1998 and National Lottery Act 2006).

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## CONTENTS

02 REVIEW OF THE YEAR

04 THE CREATIVE ECONOMY

14 CHAIR'S REPORT

17 CHIEF EXECUTIVE'S REPORT

20 ACHIEVING GREAT ART AND  
CULTURE FOR EVERYONE

40 EQUALITY AND DIVERSITY

44 HIGHLIGHTED INFORMATION

76 GRANT-IN-AID ACCOUNTS

110 LOTTERY DISTRIBUTION ACCOUNTS

130 NATIONAL LOTTERY REPORT

- 1 Review of the year
- 2 Highlighted information
- 3 Grant-in-Aid accounts

- 4 Lottery distribution accounts
- 5 National Lottery report



# REVIEW OF THE YEAR



*Peter Grimes* opera on the beach, Aldeburgh Music in Suffolk. Credit: Robert Workman

- 1 Review of the year
- 2 Highlighted information
- 3 Grant-in-Aid accounts
- 4 Lottery distribution accounts
- 5 National Lottery report

- The creative economy**
- Chair's report
  - Chief Executive's report
  - Achieving *Great art and culture for everyone*
  - Equality and diversity

# ARTS AND CULTURE FUNDING 2013/14

This year, we invested **£442,730,843<sup>1</sup>** of Grant-in-Aid (GIA) and **£172,147,060** of Lottery money<sup>2</sup> in arts and culture.

**Cultural education (via Department for Education – DfE)**

We invested **£4,098,918** of GIA and **£1,251,080** of Lottery funding in the National Youth Dance Company, Cultural Passport and In Harmony programmes. **Total £5,349,998**

Please note this excludes museums and schools and library membership for children schemes as this is included in libraries and museums spend

**Museums**

We invested **£43,002,981** of GIA funding to support museums.

See our website for a full breakdown

**Cultural education (via Department for Education)**

Music education hubs (via Department for Education)

Museums

Grants for the arts

Strategic funding programmes

National portfolio organisations

Libraries

Other Grant-in-Aid spend

Support costs

**Strategic funding programmes**

**£20,431,796** of GIA and **£98,550,812** of Lottery funding supported a range of projects across the country. **Total £118,982,608**

See infographic on Strategic Programmes on page 12

**Support costs**

**Our support costs including IT, salaries and premises came to £15,766,965 of GIA and £17,284,018 of Lottery funding. Total £33,050,983**

Overall, the support costs are 5.3 per cent of income, down from 5.5 per cent in 2012/13

**Libraries**

We invested **£622,287** of GIA and **£2,418,224** of Lottery funding to support libraries. **Total £3,040,511**

See our website for a full breakdown

**Music education hubs (via DfE)**

The 125 Music education hubs received **£62,788,728** GIA grant funding for their work in schools across the country. Total including non-grant arts expenditure **£63,230,333**

**Grants for the arts**

We invested **£32,156** GIA and **£69,926,944** of Lottery funding to support a range of arts projects. **Total £69,959,100**

**National portfolio organisations**

National portfolio organisations across the country received **£311,208,966** of GIA funding.<sup>3</sup>

**Other Grant-in-Aid spend**

We also invested **£103,406** of GIA funding to support Artists taking the lead, Environmental sustainability programme, Julie's Bicycle, Unlimited.

<sup>1</sup> GIA investment includes £2,604,280 of non-grant arts expenditure

<sup>2</sup> Lottery figures comprise total expenditure excluding lapsed and revoked commitments

<sup>3</sup> National portfolio organisation figures excludes Major partner museums as these are included in the museums spend. Bridge organisations are also not included as their funding is from Lottery money, which is distributed every three years. This amount was represented in 2012/13.

£5.3 MILLION

£43 MILLION

£63.2 MILLION

£69.9 MILLION

£311.2 MILLION

£118.9 MILLION

£33 MILLION

£3 MILLION

£103,406

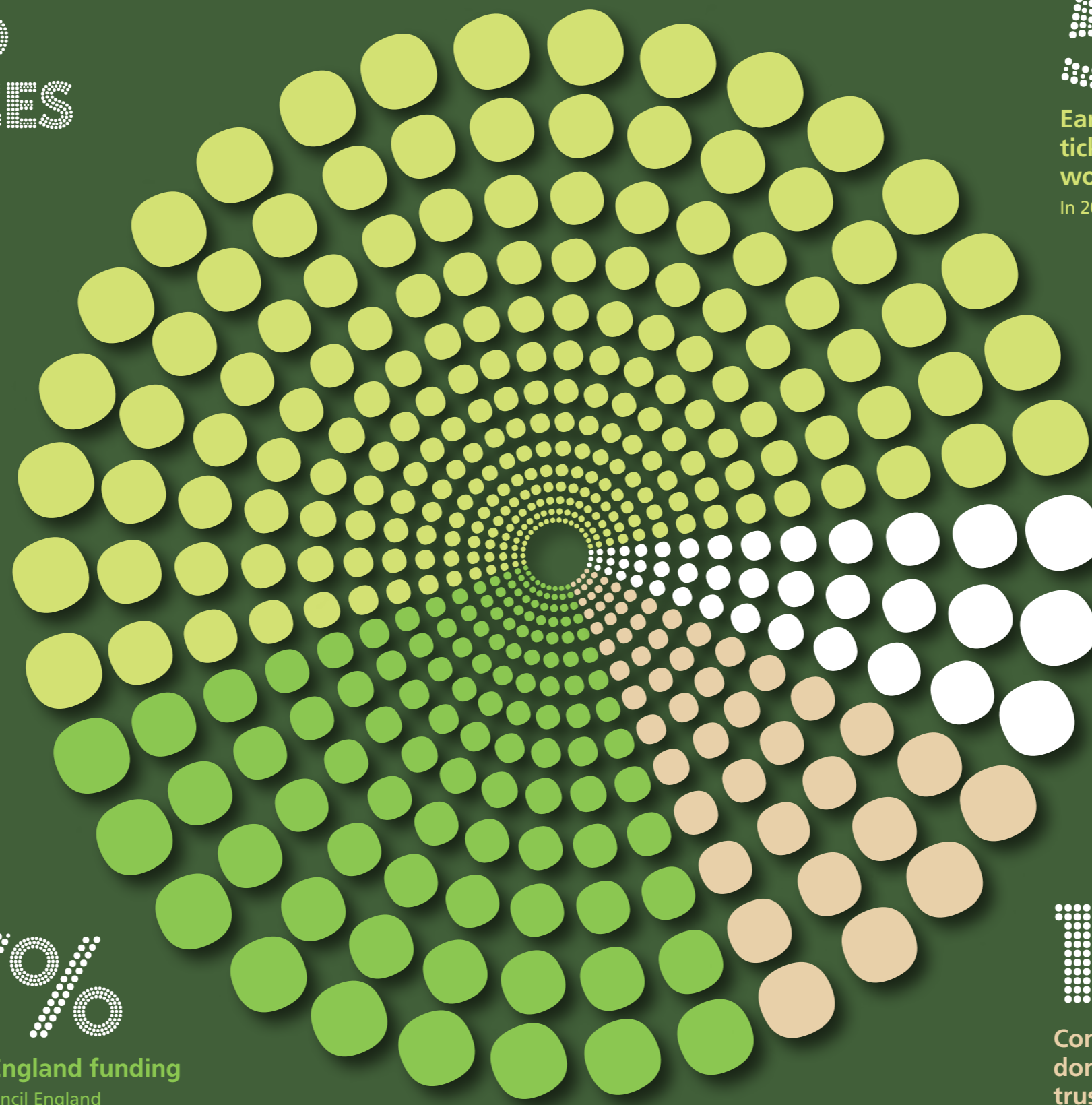
# HOW OUR INVESTMENT COMPARES TO OTHER SOURCES OF INCOME

Overall the total income for National portfolio organisations has risen by 8 per cent since 2011/12. Their earned and contributed income rose by 10 per cent.

This graph shows the various income streams of our National portfolio organisations for 2012/13. Arts Council funding represents 27 per cent of the total income (down from 29 per cent in 2011/12), while earned income represents 52 per cent (an increase from 49 per cent the previous year).

This information is gathered from submissions from our National portfolio organisations. In 2011/12 we had 803 Regularly funded organisations and in 2012/13 we had 695 National portfolio organisations. We received a 99% submission return rate.

Data from 2013/14 will be available later this year.



52%

**Earned income:**  
 ticket sales, educational work and catering  
 In 2011/12 earned income was 49%

9%

**Other public funds:**  
 local authority and local public grants  
 In 2011/12 other public funds was 12%

12%

**Contributed income:**  
 donations, philanthropy, trusts and sponsorship  
 In 2011/12 contributed income was 11%

27%

**Arts Council England funding**  
 In 2011/12 Arts Council England funding was 29%

- 1 Review of the year
- 2 Highlighted information
- 3 Grant-in-Aid accounts
- 4 Lottery distribution accounts
- 5 National Lottery report

- The creative economy**
- Chair's report
- Chief Executive's report
- Achieving *Great art and culture for everyone*
- Equality and diversity

# ARTS AND CULTURE SPENDING ACROSS ALL OF ENGLAND

**Over the last two decades, significant investment in new buildings has transformed the arts and cultural landscape in England.**

There has been lots of debate this year about how public funding for arts and culture is distributed across England, and if the balance of funding disproportionately favours London. We know we face a real challenge in bringing great art and culture as close to home as possible for everyone, and we are listening carefully to the many differing opinions about how this can be approached.

Our approach is to direct our investment in a way that benefits the whole arts and culture ecology, using our 10-year strategy. We need to do more – there are still parts of England where provision is not as it should be – but it's also important to recognise what has already been achieved in building cultural provision outside of the capital.

The majority of Arts Council investment is made outside of London, and this trend is continuing. Over the last three years, more than 70 per cent of our Lottery investment has funded projects whose benefit is delivered outside of London – it was previously 60 per cent. Since the Lottery began, 28 per cent of the total value of grants awarded in England has been channelled into the 10 per cent most deprived local authority areas.

Our national arts organisations have a role in artistic development, pioneering digital platforms and touring across England. They have international reputations which benefit everyone, help to generate £4.5 billion worth of tourist spending every year and sustain over 100,000 jobs across the country. Many but not all of these organisations are based in London. We believe it is best to strengthen capacity outside London rather than weakening investment in the capital.

The £37 million Creative people and places programme is helping us to address the challenge of how to invest in places where public involvement in arts and culture is significantly below the national average. It focuses on long-term collaborations between local communities and arts organisations, museums, libraries, and other partners; Hull was awarded a £3 million grant in 2013 to develop the city's cultural offer – this led to the development of a strategy that secured Hull the title of UK City of Culture for 2017.



Burnley Youth Theatre



New Art Gallery



Rambert Dance Company



Sage Gateshead



The Hepworth Wakefield



Nottingham Contemporary



Turner Contemporary, Margate

# INVESTMENT IN ARTS AND CULTURE

We support a range of activities across the arts, museums and libraries from theatre to digital art, reading to dance, music to literature, and crafts to collections. The total figures represent both Grant-in-Aid and Lottery grant expenditure for 2013/14 of £612,273,623.

Activities that support all artforms but do not directly include specific artform elements

**Theatre**  
**£132,182,050**

Over 1,000 projects and organisations funded. Fittings Multimedia in Liverpool created a new deaf friendly work called *Missing!* and Bristol Old Vic were awarded £4.5 million to refurbish their front of house, studio theatre and office facilities.

**Dance**  
**£50,443,799**

Over 300 initiatives funded. Joseph Toonga mentored eight young people in London and developed a new dance production. Northern Ballet in Leeds received over £2 million to present high quality narrative ballet across the UK.

**Music**  
**£94,894,272**

Over 500 projects funded from world class orchestras to aspiring musicians working in contemporary genres as diverse as jazz, classical, pop, rock reggae, steelpan and folk. We invested in Steyning Music Society in Sussex and psychedelic four-piece band Bo Ningen.

**Visual arts**  
**£73,613,444**

Over 1,000 projects funded. Manchester-based curator Nathalie Boobis took part in an exchange with Beijing artists and the inspiring mobile artwork *Rootless Forest* toured across Birmingham.

**Not artform specific**  
**£43,763,272**

Almost 300 projects and organisations funded. The Abbeyfield Society in St Albans developed an arts programme for those in residential care. The Herring project in South Shields engaged young people from fishing communities in theatre, music and visual arts.

**Music education**  
**£62,788,728**

Over 125 Music education hubs brokering partnerships between schools and professional musicians and reaching more schools and young people than ever before.

**Literature**  
**£16,202,329**

Over 300 initiatives funded. Yorkshire poet Andrea Ashworth received mentoring support during the writing of her first novel and Nottingham-based spoken word collective Mouthy Poets were able to tour across the Midlands.

**Libraries**  
**£622,287**

Ten library projects were set up through our Enterprising Libraries scheme to help people get started in business.

**Museums**  
**£42,146,480**

Nearly 200 projects and organisations funded. Hartlepool Borough Council delivered a First World War themed project across Tees Valley. Compton Verney in Warwickshire transformed the way they communicate with their visitors.

**Combined arts**  
**£95,616,962**

Almost 700 projects and organisations funded. Devon-based Create Workshops CIC ran art sessions for young families and UK Arts International in Worcester ran a festival of contemporary South African visual and performing arts.

Multi-disciplinary arts activities including festivals, carnivals and participatory arts events

Lottery expenditure on libraries of £2,418,224 has been reclassified across the other artforms



- 1 Review of the year
- 2 Highlighted information
- 3 Grant-in-Aid accounts
- 4 Lottery distribution accounts
- 5 National Lottery report

- The creative economy**
- Chair's report
  - Chief Executive's report
  - Achieving *Great art and culture for everyone*
  - Equality and diversity

# STRATEGIC PROGRAMMES

Our strategic funding programme complements other funding streams by helping us to target key areas and seize opportunities to help deliver our mission of Great art and culture for everyone. Here are some examples of how our strategic programme funds were invested in 2013/14.

**£38,718,805**

**Capital 2013:** From the refurbishment of the Peter Moore's wing at the Royal Liverpool Philharmonic Society to the transformation of the Bristol Old Vic with the redevelopment of their front of house, studio theatre, offices and commercial operation, the capital fund aims to make arts and culture more sustainable, resilient and innovative in the 21st century.

**£1,285,000**

**Engagement, resilience and young people:** Three schemes were funded to help organisations grow and develop into thriving businesses. Creative industry finance lends money to creative businesses, Own Art offers interest free loans to purchase contemporary art and craft and Take it away offers loans for musical equipment for young people.

**£10,157,893**

**Catalyst:** Supporting organisations in building capacity and improving fundraising skills, this programme inspired a unique partnership in Lancaster. Dukes Playhouse and Lancaster University set up a joint business model for fundraising and income generation to help them become more sustainable.

**£350,000**

**The Space:** The Space is a new online agency to commission artists from the world of creative and digital industries, to create new work and share it for free with audiences anywhere in the world. It is a pioneering partnership between the Arts Council and the BBC and will launch again in the summer of 2014. [www.thespace.org](http://www.thespace.org)

**£3,298,000**

**Strategic audience development:** Through strategic audience development, organisations are given support to grow their audiences and extend their reach.

**£1,500,000 & £500,000**

**Developing talent and Music industry talent development:**

Through our Developing talent programme, the Unlimited scheme helps deaf and disabled artists cultivate their ambitions and produce high quality music activities. Similarly the Momentum Music Fund supports emerging contemporary popular artists and bands to break through to the next stage of their careers.

**£2,837,199**

**Good ideas and interventions (Exceptional awards):**

This scheme supports arts organisations to realise their ambitious one-off projects above and beyond their normal programming. Initiatives such as IdeasTap have enabled young people to build their careers in the creative industries through free national training.

**£11,369,641 & £1,170,596** (of which £500,000 is from Arts Council England)

**Strategic touring and Cross border touring:** Strategic touring enables arts and culture to be experienced by more people across the country. Cross border touring is a partnership between Arts Council Wales, Creative Scotland and Arts Council Northern Ireland and sees large-scale national performances travel across the UK. The amount shown for Cross border touring includes a contribution of £500,000 from Arts Council England, which supported a triple-bill of new works from Rambert Dance Company.

**£5,000,000 & £995,000**

**World War 1 centenary and Tour De France:** 14-18 NOW is an independent programme hosted within Imperial War Museums. It is a major cultural event taking place across the UK to mark the centenary of the First World War. To coincide with the Tour de France a programme of exciting arts events have taken place, as part of Yorkshire Festival's 100 days of arts and culture.

**£18,813,847 & £775,000**

**Creative people and places and Cultural commissioning:** From Blackpool to Swale and Medway in Kent, Creative people and places supports areas of the country where people's engagement in the arts is below the national average. Our Cultural commissioning scheme supports the arts and culture sector to commission more effectively for the benefit of the local community by working more closely with local authorities, health trusts and voluntary organisations.

# BRINGING THE PARTNERSHIP TO LIFE

We have a remarkable creative tradition in this country – a culture of exceptional individual talent that benefits us all. It has given us a voice on the world stage, informed our education, our social fabric, and our sense of identity.



Sir Peter Bazalgette, Chair, Arts Council England

Our culture is a national resource and it's important that we get this point over, helping people to see how the arts reach into their lives and what a force for positive change they can be. Based around this, we have developed an argument that we call 'the holistic case for arts and culture and its public support – the intrinsic value of culture, its benefits to society, its symbiotic relationship with education and its significance for the creative economy'. We'll be talking about this over the next year, keeping arts funding high on the public agenda.

Right now, the arts are demonstrating their economic potential. It's exciting to be Chair of the Arts Council at a time when the creative industries are growing so much faster than the national economy as a whole.

It matters because the creative industries want the talent that comes from the arts and culture sector. As the creative industries grow, they will need a bigger arts and cultural sector to sustain them; they will need more actors, directors, designers and artists. They'll need more specialist technicians and clever, creative people. As a nation we should invest more in arts and culture, because that investment will be paid back many times over.



The Iron Man in Ipswich by Graeae, part of our National portfolio

When I was appointed Chair of the Arts Council, some 18 months ago, I spoke about the need for a new 'grand partnership' for the arts. During the last year we have been bringing that partnership to life. I see it as I travel up and down the country. It is happening.

The Arts Council and the organisations it funds are working with an unprecedented range of partners, across government, broadcasting, higher education, Local Enterprise Partnerships, business and charities. These range from our role as fundholders for the Government's national network of 125 Music education hubs, to our collaboration with the Baring Foundation, bringing the arts to older people in care.

**/// WE SHOULD INVEST MORE IN ARTS AND CULTURE, BECAUSE THAT INVESTMENT WILL BE PAID BACK MANY TIMES OVER. ///**

We have been paying a lot of attention to our relationship with local authorities. The share of income local authorities contribute to our National portfolio organisations dropped from 12 per cent last year to 9 per cent this year. Local authority funding is critical to the national infrastructure

of libraries, museums, and public venues. When a light goes out in one of these, a light goes out in the community.

We understand the pressure that local authorities are under, and we've been working with them to show what the arts can bring in terms of investment, jobs, and tourism. We believe the message is getting through. Some local authorities are investing in venues and galleries that will create focal points for visitors, and festivals that will extend the tourist season.

They are combining and sharing services, using the funds that we can offer to lever other support, and creating charitable trusts to protect buildings. Leadership has an important role to play and I've seen the energy that elected mayors have brought to cities like Liverpool, Leicester and Bristol.

We are doing all we can to ensure that the national arts infrastructure, which has enjoyed 20 years of investment from Lottery funds, is not only maintained but also improved.

Historically, 60 per cent of our Lottery funding has been spent outside London; that has risen to 70 per cent, and we can do better if levels of Lottery funding are maintained. In the last year, we have invested more than £18 million of Strategic funds in Creative people and places, our programme focusing on cultural 'cold spots'. More than £11 million has gone to Strategic touring, bringing work from major companies to audiences across the nation. We know there is still a lot to accomplish.

I'm delighted that the value of the arts to the regions has recently been recognised through the theatre tax credits, offering 20 per cent relief on start-up costs, rising to 25 per cent for touring productions – it's a huge step forward, achieved through cross-sector work with the Government and HMRC. It could be worth as much as £20 million a year to touring theatre alone and it is going to make a substantial difference to the health of the performing arts.

The graph on pages 6 and 7 shows how our National portfolio organisations now raise more than half their money from ticket sales and ancillary activities. Arts organisations, leaner and more business-minded than ever before, are working hard to diversify their revenue.

Income from charities and donations has risen only slightly to 12 per cent. There have been some outstanding examples from business; Hyundai have committed to supporting Tate Modern and Yorkshire Water gave £500,000 for the Yorkshire Festival. We are grateful for the work of trusts, such as the Jerwood Trust and the Fenton Arts Trust which supports emerging talent, and for gifts from generous individuals, including Margaret Barbour who has done so much for the Sage Gateshead. But we want to help organisations reach a wider range of donors, small as well as large.

We need to highlight the charitable status of arts organisations, and to publicise better the tax breaks for donors. Through our Catalyst programme, we are helping organisations raise £106 million in matched funding. We need more skills, so we've teamed up with the higher education sector to establish fellowships in fundraising. We've run governance training sessions and looked at our own resources, appointing a head of philanthropy to reinforce our Council.

Digital technology is the great opportunity of our age. It's changing our thinking. Many National portfolio organisations are streaming their productions, from National Theatre Live to Pilot Theatre; we are exploring collaboration in data sharing, and investing in partnerships with

## WE ARE HELPING ORGANISATIONS RAISE £106 MILLION IN MATCHED FUNDING.

NESTA and with the BBC – with whom we are re-launching The Space, our digital platform. We've held knowledge sharing seminars with Google and are looking at how arts organisations can be a part of the YouTube phenomenon, aggregating their effect through multi-channel networks.

These partnerships between public investment, commerce and philanthropy, and between the live performance and digital technology, will make the money go further and stimulate imaginative new work. These partnerships will unlock talent and realise the benefits that the arts can bring.

I want to thank members of the National Council for their work throughout this year. We have a duty to ensure that public funds are invested appropriately and wisely, and that the Arts Council continues to promote great art, for everyone.

**Sir Peter Bazalgette,**  
 Chair, Arts Council England

Richard II with David Tennant at Royal Shakespeare Company, Stratford-upon-Avon



# IT'S ALWAYS ABOUT TALENT

The role of the Arts Council is to nurture our national arts ecology, so that everyone has a chance to enjoy great art and every talent has the opportunity to flourish.

Nothing more happily epitomises this spirit of communal creativity than arts festivals. This year the Arts Council again supported exceptional festivals of music, dance, literature and theatre; there were digital arts festivals in Brighton, Margate and Lincoln while Manchester International Festival had a scintillating mixture of the contemporary and the classical, from Goldfrapp to Kenneth Branagh's *Macbeth*.

## WITHOUT AMBITION THERE IS NO EXCELLENCE.

Then at the height of summer came the Family Arts Festival, a whole month of family-friendly art, music, singing, drama, drawing and reading – in fact, every art and craft form – at some 500 venues across the United Kingdom, including many of our public libraries. More than 1,000 events were registered on the Family Arts website. More than a quarter of those were free, and many others offered low-price tickets and special offers for families. This truly was art for everyone – and the first festival of this scale in the world.

Perhaps my personal highlight of the year was at another extraordinary communal event. On a distinctly unseasonal June night, *Peter Grimes* was staged on the beach at Aldeburgh as the centrepiece of the Britten Centenary. Many said it couldn't be done, but accompanied by a pre-recorded digital score, the performers defied the doubters and

Alan Davey,  
 Chief Executive,  
 Arts Council  
 England



the elements to bring Britten's opera alive. Played out against the natural world, and supported by the local fishing community, the production created extraordinary images; when the lights of distant fishing boats became part of the production, the place of art in this real world was gloriously confirmed. Art really can bring it all together.

This sense that something special is happening in the way the arts are engaging with our communities is borne out by the latest figures, which show that between 2006 and 2013 overall arts engagement in England has increased by 10 per cent, with more than 34 million people participating.

Our mission is to reach everyone, and we have a long way to go yet, but we must be on the right path; it's not always the easiest path, but we have to stay the course and we have a map to guide us in the form of our 10-year strategy.

It's just four years since we published the 'pink book', *Achieving great art for everyone*, the first strategic framework the Arts Council has ever had, in which we laid out our vision for the future of the arts in England. This was followed by the 'blue book', *Culture, knowledge and understanding*, covering our new obligations for libraries and museums. During the last year the two books have been brought together under one cover as *Great art and culture for everyone*. This is the same, consistent 10-year strategy, refined and clarified to encompass the full range of our responsibilities.

It's an important moment to reflect on the significance of our strategy, and the beneficial role it continues to play in all we do. We listen to the conversation around our investments; we know that there will be many valid opinions about how things could be done differently, and we are keen to engage in constructive debate. Ultimately our responsibility and guiding principle has to be that we fund the national cultural sector in accountable, sustainable ways that bring the widest benefit.

We know that there is still much to do, and that we have to do it together. Throughout the history of the Arts Council, there has been a great deal of debate about the process of funding the sector, and this has at times diverted our energies from the main issue, which must be



Alan Oke in *Peter Grimes*, Aldeburgh Music in Suffolk

to advocate for public investment in our national arts and culture. This is particularly important at a time when there are so many demands on the public purse. And then, we must come together to use that public investment in the most coherent and connected way.

In the context of austerity, there has been cause for relief. Last July the Arts Council had its own Grant-in-Aid settlement. In the circumstances the 5 per cent cut was a best-case scenario, and recognition of the strong case we made for the economic value of the arts sector. We had a further 1 per cent in-year cut, when this was imposed on our parent department, Department for Culture, Media and Sport. In this round, we fared better than many other public bodies, but the 29 per cent cut to our investment funds since 2010 and the 50 per cent cut in our own administration costs have presented us with new challenges.

## /// ARTS ENGAGEMENT IN ENGLAND HAS INCREASED BY 10 PER CENT, WITH MORE THAN 34 MILLION PEOPLE PARTICIPATING. ///

Now the latest figures confirm the economic contribution the arts are making – arts organisations were worth £5.9 billion to the national economy in 2011 and generated a further £7.9 billion in culture-related tourism. For every

## /// THE SECTOR GENERATED MORE THAN £70 BILLION LAST YEAR. ///

pound spent on the arts, the economy got a four-fold return. According to Department for Culture, Media and Sport, the creative sector, which draws on the talent of the arts sector, makes an increasingly important economic contribution to the UK, employing 1.68 million people in 2012 – accounting for 5.6 per cent of all jobs. The sector generated more than £70 billion last year.

So this has been another important, progressive year for the Arts Council, as we go about realising that strategy. While it has also been a year of further austerity and we have had to work very hard while settling into a much leaner organisational structure, our response has been to deal decisively with financial realities while reaffirming our commitment to creative ambition.

The annual review summarises how we spend our money, but it also gives a snapshot of how we support ambition, from finding new and exciting ways to use our national library spaces, to community involvement in the Lake District with a Turner Prize-winning art installation; from supporting regional tours of world class dance, theatre and opera to investment in museum development, apprenticeships, digital research and fundraising skills. There are many aspects to the work that we do, much of it delivered through burgeoning partnerships – and all of it

contributes to our vision of bringing great art to everyone.

We must continue to support the artistic ambition and creative risk that has carried us this far. At the top of our strategy is the value of excellence. Without ambition there is no excellence, and our art would lose meaning.

Genuine ambition comes from real talent. We must make sure that there are no barriers to talent in this country, and that children everywhere grow up believing that they can follow in the path blazed by an artist like Steve McQueen, west London lad and Turner Prize winner, who overcame a mass of preconceptions about class, race and education on his way to becoming an Oscar winner for *12 Years a Slave*.

Or that they can emulate bands like Foals or Villagers, both Mercury Prize nominees showcased by British Underground, which is funded by the Arts Council. It's to make sure that we are supporting talent that we invested £500,000 in the Momentum Music Fund for artists working in contemporary music. It's to support talent that we made changes to the Grants for the arts scheme to allow us to make more small grants to individual artists, so that they can realise their ambition through pursuing self-initiated projects. And it's to support the talent that the sector needs that we invested £18 million in the Creative employment programme to open the door into the arts for young people everywhere.

We know that the arts bring great benefits to society and the depth and breadth of those benefits will be the mainstay of the argument we will be making to keep the debate about public funding in the public arena. But all these benefits follow only when you have creative ambition and excellence; and to get these, now and for the future, we have to carry on removing the barriers to talent. Great art and culture can help unlock everyone's human and creative potential.

**Alan Davey**,  
 Chief Executive,  
 Arts Council England



Teleman, funded through Momentum Music Fund

# ACHIEVING GREAT ART AND CULTURE FOR EVERYONE

## Arts Council England is the nation's publically funded investor in arts and culture

Arts Council England is the nation's publically funded investor in arts and culture. We bring to our role both local expertise and a national perspective, and operate within the clear guidance of our 10-year strategic framework, directing investment that will support and develop the arts, museums and libraries for everyone across England.

First published in 2010, our strategy was shaped after widespread consultation with the arts and cultural sector. We are now in year four of that strategy, and in 2013 we published a refreshed version, *Great art and culture for everyone*, to take account of our new responsibilities for museums and libraries.

The strategy has five key goals, and we fund artists and organisations because of what they contribute to these shared goals, both locally and nationally.

The goals support each other; success in one goal contributes to success in others. They are the yardsticks by which our success should be measured over the lifetime of the strategy.

/// THEY ARE THE YARDSTICKS BY WHICH  
OUR SUCCESS SHOULD BE MEASURED  
OVER THE LIFETIME OF THE STRATEGY. ///

### The five goals are:

#### Goal one

Excellence is thriving and celebrated in the arts, museums and libraries

#### Goal two

Everyone has the opportunity to experience and to be inspired by the arts, museums and libraries

#### Goal three

The arts, museums and libraries are resilient and environmentally sustainable

#### Goal four

The leadership and workforce in the arts, museums and libraries are diverse and appropriately skilled

#### Goal five

Every child and young person has the opportunity to experience the richness of the arts, museums and libraries



U.Dance in Leeds by Youth Dance England, funded through Grants for the arts

- 1 Review of the year
- 2 Highlighted information
- 3 Grant-in-Aid accounts
- 4 Lottery distribution accounts
- 5 National Lottery report

The creative economy  
 Chair's report  
 Chief Executive's report  
**Achieving Great art and culture for everyone**  
 Equality and diversity

# GOAL ONE EXCELLENCE

## Excellence is thriving and celebrated in the arts, museums and libraries

**We acknowledge that excellence can take many forms. We work with the sector, through processes of peer review, to ensure that our ideas of excellence are informed and discerning.**

This focus on excellence has helped us to develop a coherent approach to our work with artists and companies, to promote talent and to support inspired curators and producers who stretch their artistic horizons and create work of relevance to new audiences.

In the last year our investment has supported the excellence of individual artists, a diversity of quality artistic practices, and special initiatives to promote excellence in museum collections and library services.

### Adventurous, profound and relevant

Our National portfolio organisations have continued to surprise and delight with their consistent invention and imaginative curation.

Highlights this year included Talawa Theatre Company's critically acclaimed revival of *Moon on a Rainbow Shawl* by Errol John, a production that did justice to an important play in the history of Black theatre writing. This was produced in collaboration with the National Theatre and subsequently toured nationally.

In the Lake District, Grizedale Arts collaborated with the Tate to commission artist Laure Provost's bold and imaginative film and installation, *Wantee*, through which she told the fictional story of an imagined grandparent's frustrated artistic endeavours. *Wantee* was made with the help of local crafts people around Coniston and with the participation of the John Ruskin School and Coniston Youth Club. The work was shown as part of the *Kurt Schwitters in Britain* exhibition at Tate Britain and went on to win the 2013 Turner Prize, when it was praised for its humour, its humanity and its relevance to the internet age.

The highly acclaimed *Moon on a Rainbow Shawl* toured nationally

The highly acclaimed *Moon on a Rainbow Shawl* toured nationally



Birmingham's Motionhouse celebrated its 25th anniversary with new production, *Broken*

Last year marked the centenary of Benjamin Britten's birth, which was commemorated by an adventurous programme of national and local events led by Aldeburgh Music. Highlights included: 'Friday Afternoons', for which as many as 100,000 young people in England and across the world sang Britten's song cycle; and a multi-faceted exploration of Britten's great opera, *Peter Grimes*, and the landscape and sea that inspired it. The culmination of this was the open-air production of the opera in the dramatic natural setting of the beach at Aldeburgh at sundown. It was a unique project which many had predicted would be pushing the limits of ambition, but which, with the participation of the local fishing community and enough co-operation from the weather, proved to be one of the great cultural events of the year.

## DEVELOPING TALENT IS ESSENTIAL TO ACHIEVING EXCELLENCE.

### Removing barriers to talent

Talent development is essential to excellence. As part of our commitment to removing barriers to talent progression, we invested £500,000 in the Momentum Music Fund for artists working in contemporary popular music. Through this the PRS Music Foundation awarded 26 grants to musicians who needed additional support to become market ready. The scheme is servicing a large need for funding in this sector; it will support recording, touring, training and employing orchestral musicians to develop live shows.

Last July we also made changes to the Grants for the arts scheme to allow us to make more small grants to artists, and allowing them to realise their creative ambitions through pursuing self-initiated projects. As part of the new guidance, we also clarified our expectations about fair payment to artists; this guidance was extended to cover the work by our National portfolio organisations that will receive funding in the current investment process.

Due to demand, we increased the budget for the Artists' international development programme, a joint



The University of Cambridge Museums – a Major partner museum – produced the inspirational exhibition *Discoveries: Art, Science and Exploration*, a meditation on the many different forms of discovery that brought together unique objects from all eight of the university's museums – including the only surviving egg collected by Charles Darwin on his voyage on the Beagle. In Cumbria, our Major partner museum the Cumbrian Museums Consortium has created a website, *Treasures of Cumbria*, that engages with people across a rurally isolated county by linking them to museum related objects and a range of other aspects of Cumbrian life. It allows users to share what they treasure about Cumbria.

In Birmingham, dance company Motionhouse celebrated its 25th anniversary with a new production, *Broken*, a dynamic fusion of athleticism and digital imagery set to an original score, exploring our relationship with the forces of nature. It was variously described by reviewers as a '68-minute invasion of the senses' and 'hugely profound and extraordinary'.

## THE PRODUCTION TOURED THE UK, EUROPE, JAPAN AND THE US TO CRITICAL AND POPULAR ACCLAIM.

initiative with the British Council. This £750,000 fund enables artists to spend time building links with artists, organisations and creative producers in another country.

We are working hard to make our Lottery funds of wider use to libraries and have established a special £6 million library fund supporting 50 ambitious partnerships between libraries, artists and arts organisations that will promote the use of library spaces for creative adventure. Recipients included Bristol's Book Hive project, North Yorkshire County Council for their Creative Residencies Programme, Leicester City Council for Imaginative Spaces and Peterborough Culture and Leisure for graphic novel workshops.

**An exceptional year for acquisitions**

The Arts Council collection had a year of exceptional acquisitions and exhibitions including the public opening of Roger Hiorns' *Seizure 2008/2013* at the Yorkshire Sculpture Park. This work weighs more than 31 tonnes, and had to be extracted from a south London council block and transported to a bespoke structure commissioned by Adam Khan Architects. Our joint acquisition with the British Council of Grayson Perry's six tapestries, *The Vanity of Small Differences*, commenced a popular national tour on which it was seen by many thousands of visitors.

This has been a good year also for the Acceptance in Lieu and the new Cultural Gifts Schemes. Among the highlights of the Acceptance in Lieu scheme were a Venetian masterpiece by Francesco Guardi that is now in the Ashmolean Museum, Oxford, and the magnificent manuscript of Philip the Good's copy of *Mystère de la Vengeance* by Eustache Marcadé that was acquired for the British Library.

The Cultural Gifts Scheme exists to give both individuals and corporations the incentive to gift important cultural objects to the nation, by granting them tax concessions in return. The annual value of the allowances it can make is decided by the Treasury, and is to be raised to £40 million. The first gift under the scheme was a set of John Lennon's lyrics and letters; an important early Van Gogh portrait has now also been gifted to the nation and allocated to the National Gallery.

**A national museum for football**

We were delighted that the National Football Museum became the first sports-based collection to be recognised by the Designation scheme, which promotes outstanding collections for greater public enjoyment and understanding. This year, £889,000 was also allocated to the Designation development fund; we have reviewed the scheme to ensure that it remains effective.

**50 AMBITIOUS PARTNERSHIPS... WILL PROMOTE THE USE OF LIBRARY SPACES FOR CREATIVE ADVENTURE.**

**Raising our standards**

We consider constantly how we can acquire a more knowledgeable and detailed view of artistic excellence. To better understand the quality of the work we fund, we have reviewed our artistic assessment scheme, which is now referred to as Artistic and quality assessment. We are increasing the number of assessors we have and from July 2014 we will integrate programmed work, participatory work and museums into the scheme. We are also piloting the use of young assessors.

The use of metrics to evaluate artistic quality is a new field, but one that we think is well worth exploring for the additional perspective it will bring to our evaluation and to organisations intent on understanding the impact of their work. In addition to the continued pilot of quality principles for children and young people we have supported 13 cultural organisations from Manchester to explore the possibility of a sector-led metrics framework for quality.

**GOAL TWO EVERYONE EVERYWHERE**

**Everyone has the opportunity to experience and to be inspired by the arts, museums and libraries**

**The close relationship between our five goals means that our investment is directed towards the development of talent and excellence, and towards reach. Our mission is *Great art and culture for everyone*: excellence and reach go together.**

**We want to bring art and culture to everyone, wherever they may live, and from whatever background they may spring. We accept that there are historic, economic and geographical challenges to this ambition, but believe that we are making progress.**

**Increasing engagement across England**

The latest figures show that the arts are enjoyed by more people, with museums and galleries seeing distinct increases in visitors. Between 2006 and 2013 overall arts engagement in England has increased by 10 per cent, with more than 34 million people engaging in the arts. This is in no small measure due to the exceptional talent we possess as a nation, and to the innovation and enthusiasm with which artistic organisations have gone about making themselves relevant to modern audiences.



Families enjoying a dance session in Newcastle as part of the Family Arts Festival



**Widening access for older people**

Participation in the arts has also shown a promising increase in areas of least engagement, and we are working to break down barriers to access among groups that have previously been marginalised.

For example, we know that there are currently more than 400,000 older people in residential homes, many of whom have little access to the arts. In the past year, Arts Council England has formed a partnership with the Baring Foundation to launch a programme that will bring arts to older people; in December we announced the first four successful awards. Arts for Health Cornwall and Scilly Isles has created Home Service, a three-year collaboration between major arts organisations in Cornwall, Devon and Somerset and residential care providers, that will explore how the creative arts can engage with and give a voice to older people in residential settings.

The other grant recipients are The Courtyard Theatre, which will work with older people in Herefordshire, We Do, which will benefit older people in West Yorkshire, and Abbeyfield care in Nottingham.

**More creative people and places**

Through our Creative people and places initiative, we have been targeting areas of the country where involvement in the arts and museums is below the national average. This £37 million investment fund focuses on long-term work bringing together local communities and arts organisations, museums, libraries, local authorities and the private sector. We use it to create an environment favourable to further investment that will stimulate more quality applications for funding.

Although funding for Creative people and places is only guaranteed for three years, we are encouraging each area to develop a 10-year vision for these communities, and there are currently 18 Creative people and places partnerships operating across the country.

**/// PARTICIPATION IN THE ARTS HAS SHOWN A PROMISING INCREASE IN AREAS OF LEAST ENGAGEMENT. ///**

In 2013 Hull was awarded a £3 million Creative people and places grant to develop the city's cultural offer. This brought together a consortium that included Artlink, Hull Truck Theatre, Volcom, Hull City Council and Hull and East Yorkshire Community Foundation and led to the development of a strategy that secured Hull the title of UK City of Culture for 2017.

In Doncaster we are funding *Right Up Our Street*, a consortium that brings together Darts (Doncaster Community Arts), Cast (Doncaster's new performance venue), Doncaster Culture and Leisure Trust and the Doncaster Voluntary Arts Network. The programme has three strands: a large-scale performance piece in each year of the programme; a series of commissions by the local community and artists; and grassroots activity in five areas of Doncaster in which artists and local volunteers work together to develop interest in the arts and to find out what is preventing engagement.

**/// 140 ARTISTS HAVE REGISTERED THEIR INTEREST SINCE SEPTEMBER. ///**

The programme began last September with 4,517 people attending the launch weekend at Cast; a further 1,529 attended the launch of Right Up Our Street in November. A creative producer is leading on the second strand of work and 140 artists have registered their interest since September.

In North Kirklees, the consortium Making a Scene has brought together the Lawrence Batley Theatre in Huddersfield, the Creative Economy Team, Kirklees Council and Batley Festival Group and We Do, an agency working to effect social change through creativity. The programme looks to extend provision and engagement in Dewsbury, Batley and the Spen Valley, which has a much lower level of engagement than neighbouring Huddersfield.

**Touring for families**

Through touring, our National portfolio organisations have an impact across the country. Among the highlights this year was Northern Ballet's *Short ballets for small people*. For this we invested £385,000 enabling Northern Ballet to create and tour three small-scale, 45-minute productions intended for children and families who might not usually attend a performance.

The first tour, *Ugly Duckling*, played 78 performances at 23 venues, achieved an average 88 per cent capacity, and reached more than 25,000 audience members. Some 83 education



Northern Ballet in Leeds sold out 24 performances of *Three Little Pigs* in three venues

and participation sessions recorded more than 4,000 participants. The BBC commissioned *Ugly Duckling* for CBeebies, and it won a Children's BAFTA and was seen by 460,000 viewers on its initial two broadcasts.

At the time of writing, the second short ballets project, *Three Little Pigs*, is part way through its tour, having already sold out 24 performances in three venues, reaching 3,848 people.

**Strategic funds target first time audiences**

In 2013 our Strategic touring fund made 61 awards totalling more than £9,300,000. Dance Touring Partnership undertook its outing as part of a three year Strategic touring grant, bringing Austrian street dance company Nobulus to more than 9,600 people across England. Some 1,500 of these were from areas of low engagement; 33 per cent were new to the participating venues and 42 per cent were young people under the age of 26. The new 'buddy' venues joining the Dance Touring Partnership all exceeded their targets: CAST in Doncaster by 131 per cent; Gulbenkian in Canterbury by 123 per cent and the Grand in Blackpool by 115 per cent.

We also invested £130,000 from the Strategic touring fund with Grizedale Arts, to support The Benevolent Order of New Mechanics, a touring project promoting the concept of 'useful art' as an approach to making art and institutions accessible and relevant in society. Working with partners at Ikon, MIMA and Tate Liverpool, Grizedale Arts created the peripatetic Office of *Useful Art* that had its first showing alongside the Tate Liverpool exhibition *Art Turning Left*, where it operated as a classroom. It has been cited as an influential model in 'integrated practice' in the sector, combining curated, learning and outreach programmes.



Testing an invention at AND Fair, part of AND Festival in Manchester





### Making more use of libraries

We are using our development role in libraries to help promote their wider use. Our National portfolio organisation, The Reading Agency, promoted the Summer Reading Challenge, the results of which showed the important role that libraries can play. In 2013, the challenge ran in 98 per cent of local authorities; 777,973 children aged 4–11 signed up and an additional 6,711 children under four took part. The challenge led to 66,760 children joining a library. Importantly, 44 per cent of participants this year were boys – in normal circumstances only one in four boys reads outside class every day.

The Summer Reading Challenge also saw a big increase in the number of library volunteers: 5,684 young volunteers aged 12–24 helped in 137 library authorities, a 30 per cent increase in the number involved in 2012. Some 96 per cent of the young people involved in volunteering said they had gained new skills and experience.

We are also increasing the scope of the Summer Reading Challenge through our Grants for the arts programme. One example is Digital Dance Fusion, a south west based reader development programme that encourages children aged 4–11 to engage with reading and literature through a fusion of dance and digital arts.

### Staying open – even when we're closed

Oxford University's Museum of Natural History had to close this year for essential repairs to its structure, so it has come up with a creative way to ensure that it is still reaching the public. Through the Goes to Town project, it is installing exhibits – including an Utahraptor dinosaur – at locations throughout the city, and making information about the exhibits available through a mobile website.

### Doing more digitally

Rapid advances in the digital economy are offering arts organisations exciting opportunities for increasing their reach. We are gradually extending the digital work we support – but we acknowledge that we still have a lot to do.

An increasing number of National portfolio organisations are now making their productions available digitally or streaming live and recorded work. In 2013, National Theatre Live reached 57,283 people in London but 10 times that amount outside the capital (571,771). Among



*I'd Hide You*  
 by Blast Theory,  
 part of  
 The Space

other pioneering examples: Garsington Opera worked with East Lindsey District Council to stream Engelbert Humperdinck's *Hansel and Gretel* live onto the beach at Skegness as part of the SO Festival; The Royal Shakespeare Company experimented with live performances on Google+ with an online *Midsummer Night's Dream*; and Pentabus, a small, touring National portfolio organisation, live streamed their performance of *Milked* through the Royal Court's website, in a pilot project to test new technology in a rural setting.

### Using digital to empower people with disabilities

In the last year The Digital R&D Fund for the Arts, which the Arts Council runs in partnership with Nesta and the Arts and Humanities Research Council, invested in several ground-breaking projects, including a number of projects focused on people with disabilities. The Cheshire-based circus company Circus Starr was funded to develop Show and Tell, a mobile app that uses an interactive 'social story' designed to encourage children with autism to prepare for and enjoy arts events.

We also funded Short Circuit, a unique deaf and disabled, multi-disciplined digital arts 'hack' project supported by Mozilla and the BBC. The project brought together 45 artists and technologists over an eight-month period in a supportive short programme, culminating in a successful show during Brighton Digital Festival. The project is now being developed into a strategic touring activity.

### New forms, new approaches

We are promoting digital innovation across artforms, exploiting the flexibility of digital formats to bring new work to new audiences.

Our National portfolio organisation Furtherfield received a grant of £60,000 to help co-create and tour experimental digital art. Their tour of *Digital Zoo* features artworks by British and international artists, and will be placed in shopping centres and retail parks in London, the North East, the North West and Yorkshire.

**“ THE RESULTS HAVE BEEN SPECTACULAR.”**

In 2011, The Public Catalogue Foundation launched the *Your Paintings* website in partnership with the BBC. The website aggregates all paintings in public art collections from libraries to national galleries. The website is accessible and user-friendly, with picture galleries by celebrities to encourage those who do not typically engage with arts, culture or museums. The results have been spectacular: the website now receives 430,000 unique browsers per month; the length of visits average 5.5 minutes; and more than 35 per cent of visits are from overseas. The project is demonstrating large-scale public engagement and 40 per cent of visitors say that they want to see the art for real, with 12 per cent going on to visit the actual work of art.

We have funded two new projects related to *Your Paintings*. On a website called *Art Detective*, the public can contribute views and information



The Summer Reading Challenge led to 66,760 children joining a library

about works of art on *Your Paintings*, moderated by professional art specialists. Using crowd sourcing, we can address knowledge gaps about works of art in public collections.

Meanwhile, a grant from Strategic funds will support the development of *Your Paintings*, helping the Public Catalogue Foundation to open up further access to images in these national collections by providing technical support to museums and galleries with image licensing and copyright. The grant will also help participating collections to generate income from their images.

### Working with the media sector

We will continue to promote significant partnerships with the media sector, especially public broadcasters who we believe are essential to increasing engagement with the arts, and the development of new talent. We have embarked on a new partnership with the BBC to ensure the future of our successful digital platform, The Space, and we have been working with Google, sharing knowledge and digital skills.

On a different scale, basic.fm is a net radio broadcast project initiated by Pixel Palace and based in Tyneside. Basic.fm stands for Broadcast art, sound and independent culture. It is a growing project and each month new features and work areas are added. We will continue to commission new work for basic.fm that will play between timetabled and regular shows.

Basic.fm has exceeded first year targets significantly. The station has attracted some 53,000 international listeners and facilitated several innovative collaborations with partners including Tusk Music, Tyne & Wear Museums, New Bridge Studios and Or-bits.

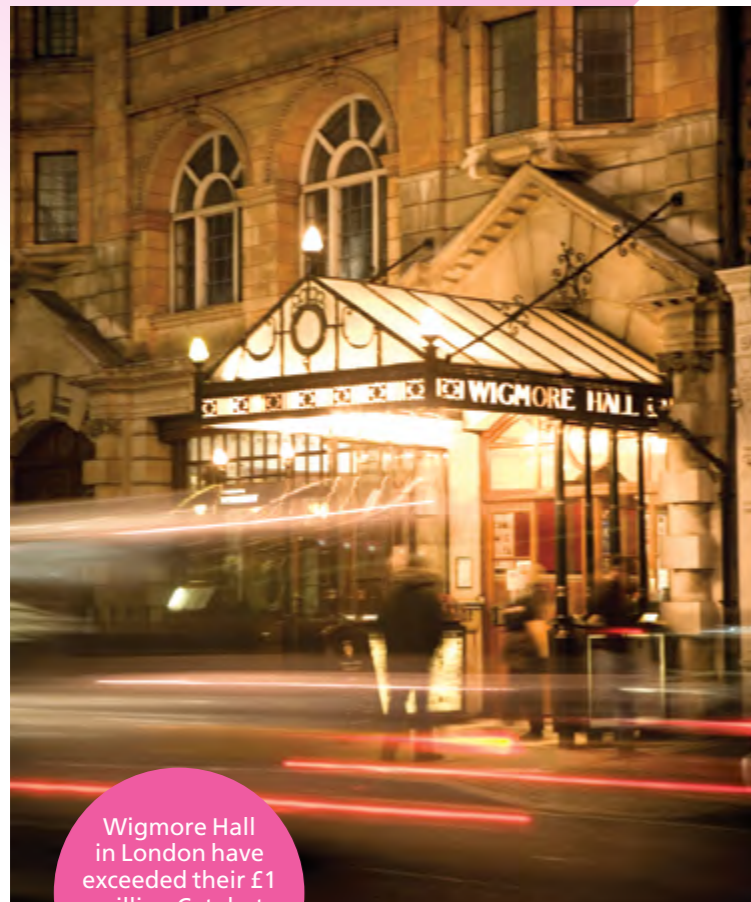
### Festivals for everyone

Last year saw some outstanding festivals, bringing public art to communities across the country including: the Manchester International Festival, the Brighton Festival, the Britten Centenary, and the Family Arts Festival. The latter was a world first, large scale, national collaboration led by the visual and performing arts sectors to increase levels of arts engagement by families. The first national Family Arts Festival took place in October with 1,890 events registered on the website, involving organisations of all sizes and artforms, from public and private sectors; and many of the events made good use of public library spaces.

# GOAL THREE RESILIENCE

**The arts, museums and libraries are resilient and environmentally sustainable**

**We believe that it is vital that arts organisations, museums and libraries are able to adapt and respond to the challenges and opportunities around them, including developing their environmental sustainability.**



Wigmore Hall in London have exceeded their £1 million Catalyst endowment target

Working in partnership with the sector, we are improving our understanding of resilience – and what a resilient organisation should look like. An important aspect of this is ensuring that the organisations we fund have a healthy business model, without over-reliance on a particular source of income.

The arts sector operates through a 'mixed economy' of public and private finance, earned revenue and charitable donations. This model encourages ambition and risk, but prevents wholesale reliance on one source of funding.

### Progress in a challenging environment

Arts organisations are making great efforts to increase earned income and private donations, which have risen 1 per cent each in the last year among National portfolio organisations. However, with the exception of a few large national organisations, the climate for fundraising has been difficult in the last few years; in this light the advances of the sector appear all the more significant, though the fundraising environment for smaller organisations outside of London remains challenging.

To increase resilience, we are continuing to invest in the sector's fundraising capacity. Our primary means for doing this has been the Catalyst programme. In May 2013 we announced the final allocation of funds with 62 successful consortium applications to the £7 million Catalyst Arts: building fundraising capacity scheme. The 218

## WE ARE HELPING ORGANISATIONS TOWARDS A TARGET OF £106 MILLION IN DONATIONS.

organisations which make up the 62 consortia feature a wide range of arts organisations including: a consortium of music hubs led by Bolton Music Services in the North West; theatres led by Tamasha Theatre Company Ltd in London; and combined arts organisations led by the UK Centre for Carnival Arts across the East, South East, South West and London.

Catalyst also includes a match funding scheme and endowment fund which matches private money raised. We are helping organisations reach a target of £106 million in donations, and early successes include The Wigmore Hall who used their skills to exceed their target. By February 2014 they had raised £1.3 million in two years to match their £1 million Catalyst endowment – and the total is still climbing.

### Training for resilience

We are also running governance training sessions and have invested £2 million in a new fellowship in fundraising based at Leeds University. Run by the Arts Fundraising and Philanthropy Consortium, it brings together numerous partners across the arts, educational and charitable sectors.

In November 2013 the Arts Council initiated a successful Google conference to discuss how digital skills and awareness could be improved across the sector. We supported the second day; more than 160 delegates attended and there was some valuable feedback from arts organisations.

### Increasing impact through partnerships

We are just one of many players who contribute to a thriving arts and cultural sector and the current economic climate makes partnerships essential if we are to make best use, and obtain greatest impact, of public funds.

Necessity is accelerating the evolution of our collaborative partnerships. Arts Council England is working with an unprecedented range of agencies and organisations to make the most of resources nationally across government, higher education, business and charities. Partnership takes us into new areas of the country, and into new areas of work and social impact.

This year we have signed new agreements with the British Council, the BFI and the BBC to build on those that we already have with the National Trust, the Canal and River Trust and Forestry Commission.

We are exploring new business models across the sector and as part of our development role for libraries we have established Enterprising Libraries, a £1.3 million partnership programme with the British Library and the Department for Communities and Local Government to respond to the findings of *Envisioning the library of the future* and to build on the successful model of the British Library's Business & Intellectual Property Centre in London.

For this we worked with six core-city libraries to develop plans for a co-branded network of



Readers at Manchester Central Library

Business and IP Centres; we also made 10 grants to libraries across the country to work with this network and support the development of new business ideas and ways of working. These include Northamptonshire Libraries, who will be working closely with the British Library and will focus on opening up resources to hard to reach groups, including women living in rural areas.

We worked with the British Library and the Department for Communities and Local Government, so that 10 leading libraries received a share of £450,000 from the Enterprising Libraries fund to help local people get started in business. Participating libraries in Birmingham, Leeds, Manchester, Sheffield, Liverpool and Newcastle are now working to improve community integration, increasing social mobility, and helping people from diverse backgrounds to realise their potential.

Through the Museums strategic fund we have supported a number of pilot projects including art galleries, museums and local authorities that are exploring trust options and shared services. Hampshire County Council museums service received £625,000 to develop the collaborative working approach underway in the Hampshire-Solent area where financial modelling has determined that integration of services could provide a good opportunity for delivering long-term resilience. We have also funded small-scale trust option appraisals for local authorities in Kent and the South East.

Working with the Cabinet Office, Arts Council England is supporting cultural organisations interested in commissioning or taking on non-grant funding to become investment or contract-

ready. Eight organisations, including Live Theatre, Newcastle and Bristol Music Trust, have received grants totalling more than £720,000 for specialist business support through the Investment and Contract Readiness Fund.

## /// INTEGRATION OF SERVICES COULD PROVIDE A GOOD OPPORTUNITY FOR DELIVERING LONG TERM RESILIENCE. ///

### The Happy Museum Project

Led by the Museum of East Anglian Life and supported with Strategic funds from the Arts Council, the Happy Museum Project helps museums look at and test the role they play in developing community resilience and wellbeing against global financial and environmental challenges. In three rounds of funding, 22 museums have so far been commissioned to create a community of good practice. An example of the new ideas emerging is Woodhorn Charitable Trust, which commissioned a comedian in residence to forge connections between people, art and heritage.

### Digital builds business relationships

Through Grants for the arts we fund the Geek Festival in Margate, a small-scale retro-gaming and creative digital festival. Geek is now in its third year and is vital to a local creative digital cluster. The organisation is funded by Artsworld, an Arts Council Bridge organisation in the South East. Geek was featured on the BBC news during the



The opening of Manchester Central Library



Brighton Digital Festival attracted over 44,000 visitors

launch of the new Sony PlayStation. Ticket sales are now beginning to augment grant funding and in 2013, the festival was commissioned by the Chinese government to tour a 'mini-Geek' festival in Singapore.

The 2013 Brighton Digital Festival which ran throughout September, featured 165 separate events and had 44,000 visitors. The project has proved to be an important cross-over with the creative industries, and has met multiple Arts Council goals around developing new audiences for digital work and bridging the gap between schools, developers and arts organisations. An industry and arts consortium featuring National portfolio organisations is now working on developing sustainable future programming.

## /// THE BRIGHTON DESIGN FESTIVAL FEATURED 165 SEPARATE EVENTS AND HAD 44,000 VISITORS. ///

### Working with local government

Despite cuts, local authorities remain collectively the largest investors in the arts and culture. We understand the pressures they face and where we can we have worked closely with them to help preserve and build on cultural infrastructure and to promote the value of the arts and culture in economic regeneration, social inclusion, and making our towns and cities distinctive and attractive.

In partnership with the Local Government Association, we ran sessions for councillors focusing on library services issues. We also presented two cultural leadership academies to develop and strengthen skills among councillors with a portfolio for cultural services generally. The positive feedback on these showed the programme helped develop a better understanding of the role integrated cultural services could play in communities. Members were more likely to consider how councils can use cultural services to improve localities and outcomes for their communities.

### Buildings for the future

We need to improve environmental sustainability in our sector not only because it is a pressing global concern, but also because it is a factor in improving financial resilience. In December, Julie's Bicycle reported on the first year of their environmental sustainability work with our National portfolio organisations. Their report showed that 90 per cent of our organisations engaged with the environmental reporting programme while nearly 90 per cent agreed or strongly agreed that environmental reporting has made, or could make, a positive difference to the arts sector as a whole. Other key findings showed that 62 cultural buildings provided sufficient information to point to £810,000 of combined savings from energy use. Scaled up, this could translate into £3 million of savings on the remaining 301 Arts Council funded cultural buildings.

Environmental sustainability will require buildings that are fit for purpose. Our Capital investment programme helps organisations improve existing buildings and equipment so they have the right assets to deliver their work in a sustainable way. Our Large capital programme has now awarded a total of £99.2 million to 27 projects benefiting audiences and artists across the country. The National Glass Centre in Sunderland, which reopened in June after an ambitious £2.3 million refurbishment, has almost doubled its visitor numbers as well as providing a home to Sunderland University's arts foundation students.

In February, the legendary Everyman Theatre Liverpool reopened, refashioned as one of the best specified theatres in the country. The resurrection of this important venue was achieved using £16 million of capital funds from the National Lottery.

- 1 Review of the year
- 2 Highlighted information
- 3 Grant-in-Aid accounts
- 4 Lottery distribution accounts
- 5 National Lottery report

- The creative economy
- Chair's report
- Chief Executive's report
- Achieving Great art and culture for everyone**
- Equality and diversity



IdeasTap  
Inspires trains  
thousands of  
young artists  
nationwide

## The leadership and workforce in the arts, museums and libraries are diverse and appropriately skilled

**The diversity and skills of our workforce and leadership will be essential to the future resilience of the arts, museums and libraries. Leadership skills in particular are needed to meet the demands of the future.**

### Investing in leadership

Working with the Clore Leadership Programme we have committed £1.8 million to a three-year national programme with the aim that leadership in the cultural sector will increasingly reflect the diversity of society. The programme includes dedicated places for emerging leaders in libraries and museums.

The first year of Clore Fellows and emerging leaders have now completed the programme and February saw the publication of an independent survey on the leadership needs of the cultural sector in England. Commissioned by the Clore Leadership Programme with funding from Arts

Council England, the research was conducted by Trends Business Research, who gathered evidence and data from nearly 600 established and aspiring leaders in England's arts and cultural sector. The survey found that 91 per cent of respondents expect to undertake leadership development training in the next five years; it also underlined a need for greater diversity among cultural leaders and identified barriers to career progression into leadership roles. All this highlights the importance of continued, targeted and thoughtful investment in leadership in the coming years.

### Apprenticeships and paid internships

We are committed to promoting new talent from all backgrounds. For the Creative employment programme we have made £18 million available to support the creation of traineeships, formal apprenticeships and paid internship opportunities in England for young people aged 16–24, who wish to pursue a career in the arts or cultural sector. Through our delivery agency, Creative and Cultural Skills, this programme has generated nearly 1,300 new jobs – split equally between

apprenticeships and internships. Many of these have been with our leading cultural institutions including, Goldsmiths, the Fitzwilliam Cambridge, The Barbican and Opera North. More than 85 per cent of the organisations in the creative sector are small businesses employing fewer than five people, so this scheme can be of great mutual benefit. We've helped place an apprentice with a one-man music publisher working out of his living room. Earlier in the year, we had a successful application from Darnall Education Centre Associated Training, who will be using their grant to create 50 new apprenticeships and 40 internships across Sheffield.

## LEADERSHIP IN THE CULTURAL SECTOR WILL INCREASINGLY REFLECT THE DIVERSITY OF SOCIETY.

We have also supported the creative network IdeasTap. In February they received an Exceptional Award for IdeasTap Inspires that will provide a nationwide programme bridging the gap between emerging artists and arts administrators and established professional environments. The programme will unite more than 5,000 talented young people from all over England with leading arts organisations and venues, developing technical and administrative skills as well as artistic practice and professionalism.

### Recognising local needs

In addition to our national initiatives, we have used our Grants for the arts scheme to support a range of projects where specific local leadership and training needs have been identified.

The Regional Theatre Young Director Scheme at the Young Vic provided specialist support to emerging theatre leaders and our funding enabled a further scheme to offer emerging disabled directors placements and development time with the Young Vic. In our North area, Business in the Arts: North West led a successful consortium bid to Grants for the arts to support and improve leadership and performance at board level. Working with Sponsors Club and Yorkshire Business in the Arts, the programme will offer tailored board assessment, recruitment and development.

In the West Midlands, Grants for the arts funded Lara Ratnaraja's Creative Bridge programme. This worked with 25 organisations to strengthen governance, leadership and entrepreneurialism; in Yorkshire CidaCo delivered a similar programme of skills development.

## WE ARE COMMITTED TO PROMOTING NEW TALENT FROM ALL BACKGROUNDS.

Also in the West Midlands, the Leadership and Greater Self-Reliance in Museums programme, led by the Black Country Living Museum Trust and funded through Renaissance strategic support, gave 14 emerging leaders from major museums and the independent sector an opportunity to develop their commercial and strategic thinking.

We have also continued to support peer and sector led learning that has always played an important role for museums, libraries and arts organisations. This year we have invested in a number of networks looking at sharing best practice and developing new programmes including visual arts networks such as Contemporary Visual Arts Network and geographic networks such as Liverpool Arts Regeneration Consortium and Newcastle Gateshead Cultural Venues. They are supporting professional development opportunities across their organisations, from artist networking to front of house customer care training and looking to Local Enterprise Partnerships and others to help them expand in the future.

Young visitors at BALTIC, part of the Newcastle Gateshead Cultural Venues network



# GOAL FIVE CHILDREN

**Every child and young person has the opportunity to experience the richness of the arts, museums and libraries**

**Our commitment to children and young people is central to all our goals. We know that arts and culture fuel children's curiosity and critical capacity; they are about expression and imaginative escape as much as they are about learning and development, helping children and young people to explore, understand and challenge the world. The arts inspire future audiences and the next generation of artists and arts leaders. They are every child's birthright.**

**A national network that delivers locally**  
 In the past year, our national network of Bridge organisations have continued to build partnerships between arts and cultural organisations, schools and academy chains to encourage the take up of Artsmark – our national programme that helps schools evaluate, strengthen and celebrate their cultural provision. Bridge partnerships with Teaching School Alliances have grown stronger, with a focus on developing Specialist Leaders in Cultural Education, who can connect schools with their local theatres, museums and libraries.

## /// EVALUATE, STRENGTHEN AND CELEBRATE. ///

Working with the Department for Education, we continue to be the fundholders for the national network of Music education hubs, working to improve the reach and quality of musical opportunities for all young people, with the aim that every child aged 5–18 should have the opportunity to sing and learn a musical instrument, and to perform as part of an ensemble or choir, regardless of where they live.



Revellers at Tour de France Grand Depart, part of Yorkshire Festival

## /// THIS YEAR GRANTS FOR THE ARTS AWARDED OVER £12.5 MILLION. ///

### More quality educational visits

Through our Museums and schools programme we have been offering more high quality educational visits by schools in areas that have below average cultural engagement. The Pennine Lancashire Museums have enrolled hundreds of primary children to study for the Discover award as a result of adapting Arts Award to the museums in the consortium and offering free support and advisor training for schools.

### Arts projects bring science to life

This year Grants for the arts awarded over £12.5 million to arts projects specifically aimed at children and young people. The Garage, Norwich, received funding to programme an exciting range of professional theatre and performances for more than 960 young people. *Laika the Spacedog*, a brand new opera that toured the country last year, told the story of the first dog in orbit through music, puppetry and

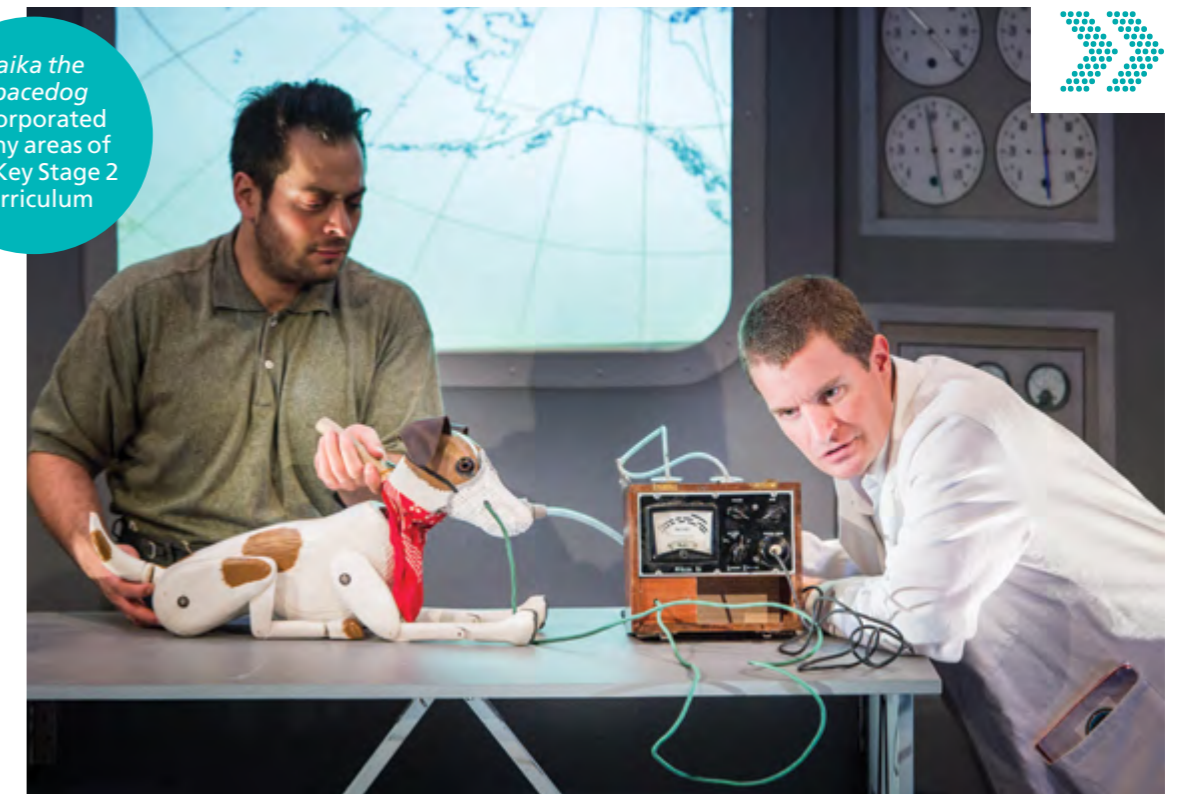
filmed animation. It was designed for Key Stage 2 in primary schools, incorporated many areas of the curriculum, including science, history and music, and was the Winner of the Armel Opera Festival 2013. We are keen to see many more creative collaborations between the arts, science, technology, engineering and mathematics.

### Championing the arts in schools

We responded to changes in the national curriculum and school accountability measures by commissioning research into what a high quality GCSEs in art and design, dance, drama and music should look like. We consider it important that arts subjects should be held on a par with the core subjects and that young people are encouraged to pursue arts subjects combined with science and technology to prepare for future jobs in the creative industries. This research informs our discussions with the Department for Education, Ofqual, and others, to support development of new qualifications for 2016.

We developed an online catalogue of resources to support teachers to deliver a broad and balanced curriculum in the creative subjects. This brought together for the first time all of the high quality teaching materials produced by arts and cultural organisations for Key Stages 1–5.

*Laika the Spacedog* incorporated many areas of the Key Stage 2 curriculum





Nottingham is one of six regions in England to run the In Harmony project



Children at the National Football Museum, Manchester

**Arts Award reaches 100,000 milestone**

This year saw the 100,000th Arts Award – an important milestone for this national qualification that encourages young people to deepen their engagement with the arts in and outside of school. We also launched Artsbox, a new digital portfolio space linked to Arts Award, that enables children and young people to create an online portfolio and to share their creative work and experiences. It's free to use and has been nominated for an Education Innovation Award.

We contribute funding to The National Art & Design Saturday Clubs, giving young people aged 14–16 the opportunity to study art and design on Saturday mornings at their local art and design college or university for free, with many of them subsequently progressing to further or higher education.

**/// IT IS IMPORTANT THAT ARTS SUBJECTS SHOULD BE HELD ON A PAR WITH CORE SUBJECTS. ///**

**/// OUR NATIONAL PORTFOLIO ORGANISATIONS CONTINUE TO PRODUCE BOLD AND INSPIRING WORK FOR AND BY YOUNG CHILDREN. ///**

Through our Grants for the arts scheme, we funded *Kindling the Fire*, a collaboration between library services and arts organisations across eastern England to encourage reading for pleasure and to provide the opportunity for young people aged 11–18 to create their own original artistic responses to books.

**Children and our National portfolio**

Our National portfolio organisations continue to produce bold and inspiring work for and by children and young people. The Ironbridge Gorge Trust has recently installed a technology 'fab lab' that can be used by school groups; this contains a wide array of state of the art production kit, including 2D and 3D printers, a moulding machine and a laser cutter, along with advanced materials. In the last year, Leicester Curve, 20 Stories

High and the Liverpool Everyman collaborated on *Melody Loses Her Mojo*, a contemporary work about looked-after children that involved a question and answer session between the cast and young audiences. The Ministry of Stories album *Share More Air* featured lyrics by 56 children aged 8–13, who took part in a year-long song writing project, set to music and performed by professional musicians, including Ben Folds from Communion Records.

We are also seeing inspiring digital work for children; C&T is a digital theatre company that works with children and young people and communities in educational settings. They have an innovative business model, with a network of schools across the country, partner schools in New York and Japan and links to projects in Africa and Singapore.



Getting into character at Beamish, The Living Museum Of The North, County Durham



*Puffball at London's Roundhouse, devised and performed by young LGBTQ performers*

# EQUALITY & DIVERSITY

**We live in one of the most diverse societies in the world. This diversity is one of our strengths as a nation and is a source of great creative potential.**

We want the work produced by arts organisations, museums and libraries to reflect the diversity of contemporary England so that all communities have a voice, and can enjoy a rich range of arts and cultural experiences.

Between 2012–17, we have the following objectives for equality and diversity. We will:

- champion the Creative Case for Diversity

- (www.disabilityarts.creativecase.org.uk) create the conditions for diverse art to be produced and raise the profile of diverse artists
- ensure that all our investments make a contribution towards improving equality and diversity in the arts and culture sector
- ensure that the Arts Council maintains a diverse workforce

## /// THE CREATIVE CASE ENCOURAGES US TO PLACE DIVERSITY AND EQUALITY AT THE CENTRE OF OUR THINKING. ///

Our progress on these objectives in 2013/2014 is set out below.

### Championing the Creative Case for Diversity

In the past, there has been a tendency for conversations about diversity and equality to be separated from the wider debate about culture and how it is created and engaged with. The Creative Case for Diversity encourages us to place diversity and equality at the centre of our thinking about artistic and cultural practice.

Throughout the year we have continued to champion this approach. One example of this is the Creative CASE North initiative, led by a consortium that included ARC Stockton, BALTIC Centre for Contemporary Art, Contact Theatre, GemArts, Sustained Theatre Arts Yorkshire and ZENDEH Theatre. Working in partnership with the Arts Council, this consortium put on two events that brought together 124 independent artists, arts organisations and museums to explore approaches to encouraging a more diverse range of artistic opportunities. It also supported four residences to develop new partnerships between creators and facilitators of artistic, cultural and participatory practice.

### Creating the conditions for diverse art to be produced and raising the profile of diverse artists

We continued working with the Clore Leadership Programme to support emerging leaders from currently under-represented groups. In 2013/14 we supported eight fellowships and 101 participants attended short courses. The Arts Council funded fellows from the programme have been undertaking research on disability and leadership with the Arts and Humanities Research Council and have been working with The Space, with museums and collections at University College London, and at the Tricycle Theatre.

In 2013/14 we also launched Unlimited II to build on the resounding success of Unlimited, part of the Cultural Olympiad, for which 225 deaf and disabled artists reached an estimated audience of around 430,000. Unlimited II will make awards to support 26 deaf and disabled artists across England to create ambitious work that will be staged in collaboration with arts venues and festivals nationally.

## /// UNLIMITED II REACHED AN ESTIMATED AUDIENCE OF AROUND 430,000. ///

### Ensuring that our investments make a contribution towards improving equality and diversity in the arts and culture sector

In addition to targeted initiatives, we expect that the organisations that we invest in will contribute to a cultural sector that reflects the diversity of modern England.

All our National portfolio organisations and Major partner museums are required to produce and implement an equality action plan. During the year we provided feedback on the equality action plans for the 2012–15 investment period.

The wide range of initiatives included:

- Open Clasp Theatre, a women's theatre company that will focus on socio-economic class, ethnicity and age. In 2013 through its *A Song to Sing* project it worked with women from minority communities, including Arabic, Czech/Roma and Slovak/Roma women, British travellers and women who have been refused asylum, to capture their experiences, bringing them to approximately 2,500 audience members through a thought-provoking, authentic piece of professional touring theatre
- BALTIC Centre for Contemporary Art in Gateshead, which hosted a commission by Dance City that was inspired by British Sign Language and portrayed dancers' emotions and experiences through movement, film and live music



- the Khushi project at South Asian Arts in Leeds, which engaged people who have experience of mental health problems, through creating new artistic work and a safe environment to socially interact and have meaningful conversations about the stigma against, and negative perceptions of, people who suffer from mental health issues
- Birmingham Museum and Art Gallery, which produced faith-led work around the Sikh Turban fortress exhibition and the Qalam exhibition, looking at Islamic manuscripts and calligraphy

We also asked our National portfolio organisations and Major partner museums to provide us with information on their workforce and boards. Details are available from our website. The figures show that while we are making progress in some areas, we still have much work to do if we are to ensure that the arts and culture sector truly reflects our society and that there are career progression routes for those currently under-represented. We are working to understand the context and implications of these figures, and to see how we can make the necessary changes.

Season in the Congo, Young Vic in London



## WE OFFER AWARDS FROM £1,000 TO £100,000 TO SUPPORT A WIDE VARIETY OF ARTS-RELATED ACTIVITIES.

Through our Grants for the arts programme we offer awards from £1,000 to £100,000 to support a wide variety of arts-related activities. We want these awards to increase diversity across artists, artforms and arts organisations.

Examples of the diverse art promoted through the programme include: Platforma, Counterpoint Arts Ltd's work across eight English regions building networks and offering career development and support for more than 520 refugee artists; Permeate, based in the South East, which offered fellowships for Black and minority ethnic or deaf and disabled people entering the workforce of visual arts organisations and museums; the Sick Festival in Brighton, focusing on mental health; the Peace Festival, developing audiences for Pakistani Arts in Southampton; and Outside In, based at Pallant House in Chichester, which successfully toured an exhibition of outsider art.



Puffball toured to Doncaster and Manchester

Grants for the arts received nearly 9,000 applications for funding last year and we collected statistics on the ethnicity, gender and disability status of applicants. Full details are available on our website.

As with the data for our National portfolio organisations, we will be working to understand the context and implications of these figures. During 2014/15 we will be implementing a new pre-application advice framework to help drive up applications from under-represented groups and in areas where there are currently low application rates.

One additional point to emerge from these assessments was the lack of information on the issues relating to some of the new protected characteristics as defined in the Equality Act 2010. To address this we have commissioned a literature review on the barriers those with protected characteristics face when engaging with arts and culture.



Dance Syndrome, funded by Grants for the arts

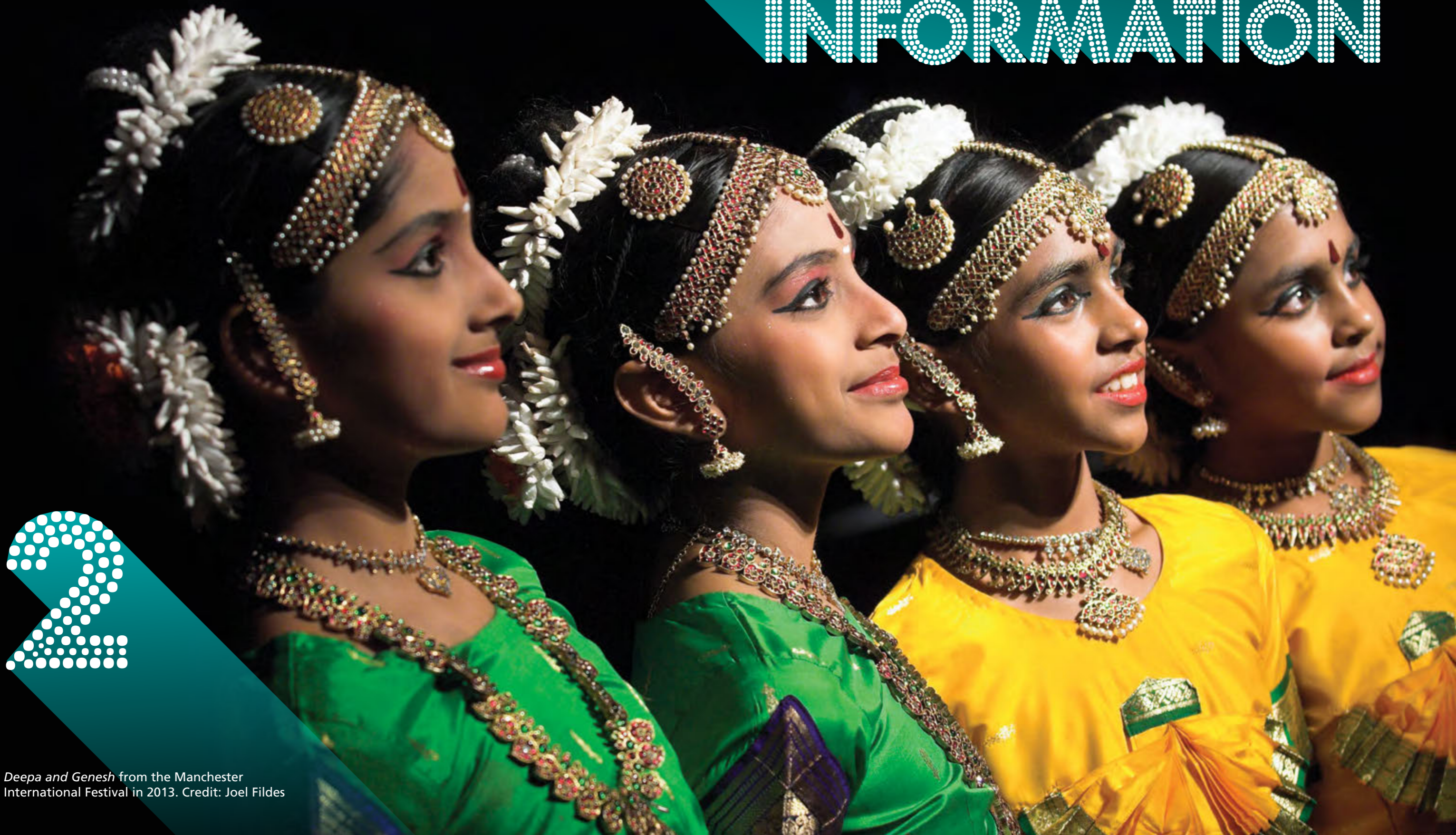
## WE WANT THESE AWARDS TO INCREASE DIVERSITY ACROSS ARTISTS, ARTFORMS AND ART ORGANISATIONS.



- 1 Review of the year
- 2 **Highlighted information**
- 3 Grant-in-Aid accounts

- 4 Lottery distribution accounts
- 5 National Lottery report

# HIGHLIGHTED INFORMATION



Deepa and Genesh from the Manchester International Festival in 2013. Credit: Joel Fildes

## Remuneration report (audited information) 1 April 2013–31 March 2014

The remuneration report covers the whole organisation and the costs have been apportioned to both Grant-in-Aid and Lottery distribution accounts.

### The Remuneration Committee

Arts Council England has a Remuneration Committee for specific matters relating to the remuneration and performance of the Chief Executive and Executive Directors. The members of the committee during the year were, Sir Peter Bazalgette, Rosemary Squire, Peter Phillips, (Chair from 17 May 2013), Sheila Healy and Anil Ruia (Chair to 16 May 2013). The committee operates within written terms of reference, and usually meets once during the year.

### Council members' remuneration

Our supplemental charters issued in 2002 and 2006 provide us with the authority to remunerate our National Council members who are also regional chairs and our Chair. Remuneration amounts are set by the Department for Culture, Media and Sport (DCMS) and agreed by the Charity Commission.

We paid the nine members of National Council, who were also chairs of regional councils, remuneration of £6,400 per annum each during 2013/14 (2012/13: £6,400). As part of the organisational review, the nine regions were replaced with five areas. The chairs of the area councils' remuneration levels have remained the same at £6,400 per annum. The Chair's remuneration was agreed by DCMS at £40,000 per annum, however he has decided to be paid at a lower level in 2013/14 of £30,000 per annum.

### Executive Directors' remuneration

Increases in salary and other performance related payments to Executive Directors are not under the control of Arts Council England management. Whilst the Chief Executive makes reward recommendations in respect of his direct reports on Executive Board, any salary increases and bonus payments to Executive Directors must be approved by the Remuneration Committee.

All performance payments are earned on the basis of exceeding performance objectives and overall contribution to the effective leadership of Arts Council England, assessed formally through an annual appraisal process.

Arts Council England's variable performance pay system is an integral part of our total remuneration package. The Remuneration Committee is keen to emphasise that one-off, variable performance awards are only made to individuals, throughout the organisation as a whole, for

levels of achievement which contribute to the overall success of the organisation and which go beyond even the usual high standards expected of individuals in their roles. It notes that the financial amount of these awards is relatively modest.

In line with the Government's public sector pay cap, Executive Directors received a consolidated cost of living salary increase of 1.0 per cent in 2013/14 alongside all other Arts Council England staff. Non-consolidated, one-off variable performance payments are awarded to some Executive Directors each year for outstanding performance.

The following decisions were made by the Remuneration Committee in May 2014:

For the year ended 31 March 2014, Executive Directors will receive the same bonus payment as the majority of other staff in the organisation which will equate to a payment of between £250 and £300.

In addition to his annual salary, the Chief Executive is entitled to a performance related payment of up to 20 per cent of his annual salary each year. The Chief Executive was awarded a non-consolidated performance payment by the Remuneration Committee of 15 per cent of his salary in accordance with his contractual entitlement as a reflection of his performance in the year 2013/14. This would have constituted a payment of £23,411. However, he did not take the bonus but asked that half of the money be used to create a fund for Arts Council staff and the remaining half to be given as a grant to the Momentum Music Fund managed by PRS for Music Foundation.

The remuneration of our Executive Board for the year ended 31 March 2014 was:

Member	Salary £000s	Employers' pension contributions £000s	Variable performance payment £000s	Car allowance £000s	Total remuneration 2013/14 £000s	Total remuneration 2012/13 £000s
<b>Alan Davey</b> Chief Executive	156	30	0	0	186	187
<b>Althea Efunshile</b> Chief Operating Officer	134	26	0	0	160	159
<b>Laura Dyer</b> Executive Director	100	20	0	1	121	120
<b>Simon Mellor</b> Executive Director	102	20	0	0	122	127
<b>Moira Sinclair</b> Executive Director	100	20	0	0	120	131
<b>Elizabeth Bushell</b> Chief Finance Officer	81	15	0	0	96	18
<b>Mags Patten</b> National Director, Advocacy and Communications	97	14	0	0	111	73
<b>Sarah Maxfield</b> <sup>1</sup> Interim Area Executive Director, North	22	3	0	0	25	107

<sup>1</sup> Sarah Maxfield was Interim Area Director for the period 1 April 2013 to 30 June 2013.

The Hutton review disclosure note is the median remuneration of Arts Council England's staff and the ratio between this and the remuneration of the highest paid director. The calculation is based on the full-time equivalent staff at the reporting period end date on an annualised basis.

	2013/14 £	2012/13 £
Highest paid director's remuneration	156,075	154,530
Median remuneration	31,450	29,390
Ratio	4.96	5.26

## Remuneration report (audited information) 1 April 2013–31 March 2014

Details of the pension entitlements for our Executive Board for the year ended 31 March 2014 were:

Member	Accrued pension and lumps sum at 31 March 2014 £000s	Increase in total in year net of inflation 2013/14 £000s	Transfer value at 31 March 2014 £000s	Increase in transfer value (net of inflation) 2013/14 £000s	Transfer value at 31 March 2013 £000s
<b>Alan Davey</b> Chief Executive	48	8	173	22	149
<b>Althea Efunshile</b> Chief Operating Officer	47	7	191	28	161
<b>Laura Dyer</b> Executive Director	127	9	409	14	388
<b>Simon Mellor</b> Executive Director	10	5	40	19	20
<b>Moira Sinclair</b> Executive Director	45	5	146	10	134
<b>Elizabeth Bushell</b> Chief Finance Officer	54	5	134	4	128
<b>Mags Patten</b> National Director, Advocacy and Communications	3	3	8	8	0
<b>Sarah Maxfield</b> <sup>1</sup> Interim Area Executive Director, North	132	2	478	(3)	473

### Transfer Values (TV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A TV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The calculation of the pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Arts Council Retirement Plan. They also include any additional pension benefit accrued to the member as a result of buying additional pension benefits at their own cost. TV's are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction resulting from Lifetime Allowance Tax which may be due when the pension benefits are taken.

### Increase in transfer value (net of inflation) in TV

This reflects the increase in TV that is funded by the employer net of the increase in accrued pension due to inflation. This increase includes contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement or purchased via an Additional Voluntary Contribution contract) and uses common market valuation factors for the start and end of the period.

**Alan Davey**  
Chief Executive  
26 June 2014

**Sir Peter Bazalgette**  
Chair  
26 June 2014

## Environmental sustainability

The sustainability report covers the whole organisation and the costs have been apportioned to both Grant-in-Aid and Lottery distribution accounts.

Arts Council England is committed to supporting the sector to reduce its impact on the environment. Arts Council England's managed Accreditation scheme requires museums to be environmentally conscious and produce an environmental policy statement that is realistic for the scale of the organisation, and Museum development funding is providing support to smaller organisations to improve sustainability with environmental audits and tailored action plans.

Last year, for the first time, we asked our National portfolio organisations to produce environmental sustainability policies and action plans as a condition of their funding agreements and commissioned Julie's Bicycle to provide them with support and resources. This year we have seen the first results with over 90 per cent of organisations engaged in some capacity with the environmental reporting programme and nearly 90 per cent agreeing or strongly agreeing that 'Arts Council England environmental reporting has made or can make a positive difference to the arts sector as a whole'.

Arts Council England itself continues to make reductions in its impact on the environment. This is being achieved by reducing the size of its operational estate. At the beginning of 2013/14 the size of the operational estate totalled 9471m<sup>2</sup>. By the end of the financial year it had reduced to 7,354m<sup>2</sup>, a reduction of 22 per cent.

Further reductions in the size of the operational estate are planned in 2014/15.

This report summarises the activities during 2013/14 and highlights changes implemented with a commentary that compares data for the financial years 2012/13 and 2013/14.

### Estate achievements 2013/14

- Reducing the size of our office space at the North East office by surrendering our lease and taking a new lease for less space.
- Reduction in the size of the Yorkshire office by consolidating into the freehold space and surrendering our lease on the remainder
- Entering into a sharing agreement with BIG for them to share space at our East Office in Cambridge.
- Relocation of the South West office from Exeter to a smaller office in Bristol
- Relocation of our East Midlands office into a smaller shared space managed by Nottingham Trent University

- The surrender of our lease for our Great Peter Street Head Office and securing a new lease for smaller offices in a multi-tenanted building at 21 Bloomsbury Street – although the physical move will take place in the next financial year.

### Operational estate

The table below sets out Arts Council England's operational estate locations and the size of each office. To ensure consistency with other reports to Government, the operational estate is defined as the office space that Arts Council England actively uses in support of its operations. This excludes therefore shared communal spaces with other tenants (stairways, entrance halls, lifts etc).

Office location	2013/14 Size (m <sup>2</sup> )	2012/13 Size (m <sup>2</sup> )	Comment
South East	461	461	No change
South West	258	770	Relocated from Exeter to Bristol July 2013
London	2,909	2,909	Relocating to Bloomsbury July 2014
East	335	503	BIG Lottery occupy 1/3 of the space
West Midlands	791	791	No Change
East Midlands	100	804	Relocated to NTU December 2013
Yorkshire	700	1,034	Leasehold interest surrendered in June 2013
North West	1,669	1,669	No change
North East	131	530	New lease from April 2013
<b>Total</b>	<b>7,354</b>	<b>9,471</b>	

### Performance commentary

Changes seen in this year's performance have largely been driven as a consequence of a reduction in headcount and the size of our operational estate. The largest number of staff changes occurred at our Head Office at Great Peter Street. Greenhouse gas emissions fell, and this is reflected in the decrease in energy costs.

### Waste management data

The following table includes all Art Council offices recycling data and associated costs:

Waste	2011/12	2012/13	2013/14
Non-financial indicators (tonnes)			
<b>Total</b>	319.32	394.64	<b>300.02</b>
Landfill	197.92	228.42	<b>180.26</b>
Reused/recycled	121.40	166.22	<b>119.76</b>
Financial indicators (£)			
<b>Total</b>	24,882	23,229	<b>29,126</b>
Landfill	13,290	9,840	<b>12,958</b>
Reused/recycled	11,592	13,389	<b>16,168</b>

There has been a reduction at the London office in recycling and landfill of 33 and 23 tonnes respectively. There has been an increase in the cost of landfill disposal across all offices, largely due to the additional waste generated through downsizing/relocating some offices.

### Greenhouse gas emissions

	2011/12	2012/13	2013/14
CO <sub>2</sub> (tonnes)			
Total gross emissions (CO <sub>2</sub> )	690	934	<b>654</b>
Gross emissions scope 1 (direct)	227	310	<b>224</b>
Gross emissions scope 2 (indirect)	464	624	<b>430</b>
Energy consumption (kWh)			
Electricity	856,062	1,246,305	<b>965,038</b>
Gas	1,226,930	1,675,386	<b>1,217,501</b>
Financial indicators (£)			
Expenditure energy	147,394	167,851	<b>135,712</b>

## Environmental sustainability

Finite resource consumption		2011/12	2012/13	2013/14
Non-financial (m3)	Supplied	5,708.23	5,933.20	<b>4,352.34</b>
	Per full time equivalent (FTE)	10.20	10.70	<b>9.86</b>
Financial indicators (£)	Water supply costs (Office Water)	15,437	15,692	<b>11,517</b>

Travel		2011/12	2012/13	2013/14
CO <sub>2</sub>	Rail	203	192	<b>153</b>
	Air	32	33	<b>21</b>
	Car	121	121	<b>109</b>
	<b>Total</b>	<b>356</b>	<b>346</b>	<b>283</b>
Cost (£)	Rail	734,514	636,192	<b>616,644</b>
	Air	20,943	27,395	<b>14,257</b>
	Petrol	142,420	141,735	<b>132,003</b>
	<b>Total</b>	<b>897,877</b>	<b>805,322</b>	<b>762,904</b>
Miles	Rail	2,061,433	2,105,900	<b>1,641,459</b>
	Air	154,429	157,335	<b>109,930</b>
	Car	350,695	354,339	<b>330,007</b>
	<b>Total</b>	<b>2,566,557</b>	<b>2,617,574</b>	<b>2,081,397</b>

### Notes

The majority of the data used in the preparation of this report is based on that supplied by our suppliers. However at the time of writing (June 2014) in some locations the data was not available. In line with HM Treasury guidance estimates have been made based on the previous quarter.

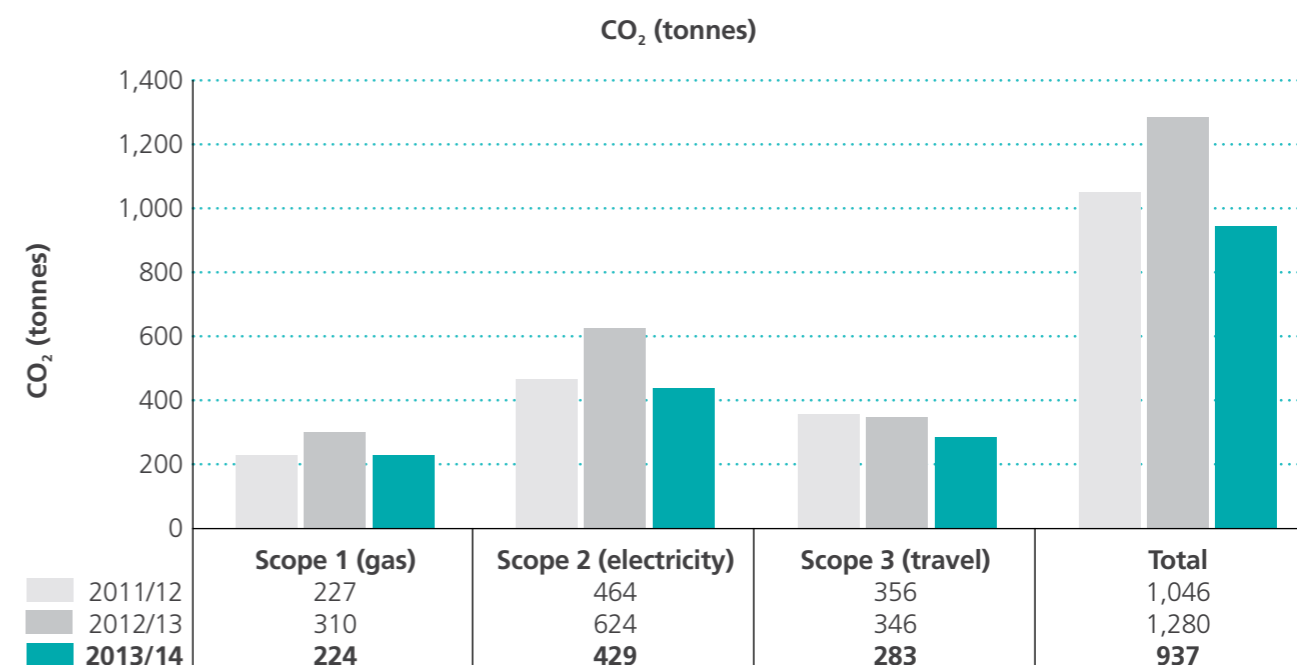
The conversion factors used in the preparation of this report are those published by Defra for 2013/14.

The greenhouse gas financial indicator figures for 2012/13 have been altered from £124,111 to £167,851 based on correct information being received.

The CO<sub>2</sub> data in 2012/13 now includes car emissions and the total mileage was transposed to £2,671,574 when it should have been £2,617,574.

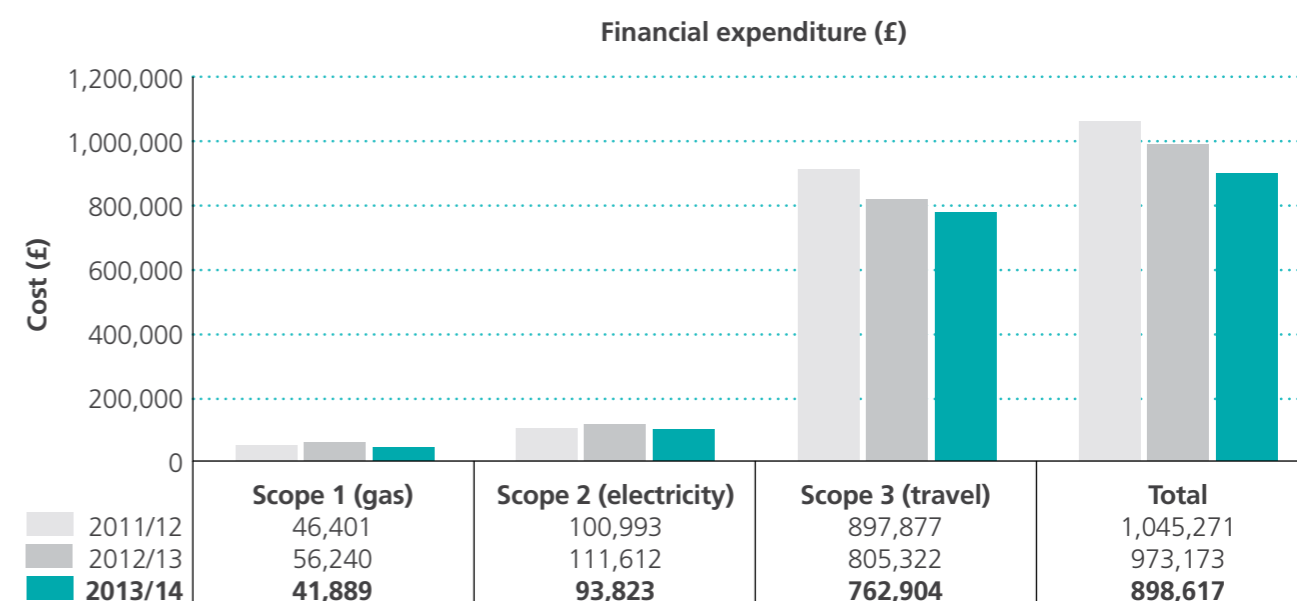
## Arts Council England – sustainability graphs

Graph 1: CO<sub>2</sub>, whole estate



The reduction in whole estate CO<sub>2</sub> emissions is expected and further falls in CO<sub>2</sub> emissions in Scope 1 and Scope 2 are expected in 2014/15 as a result of further reductions in the size of the operational estate.

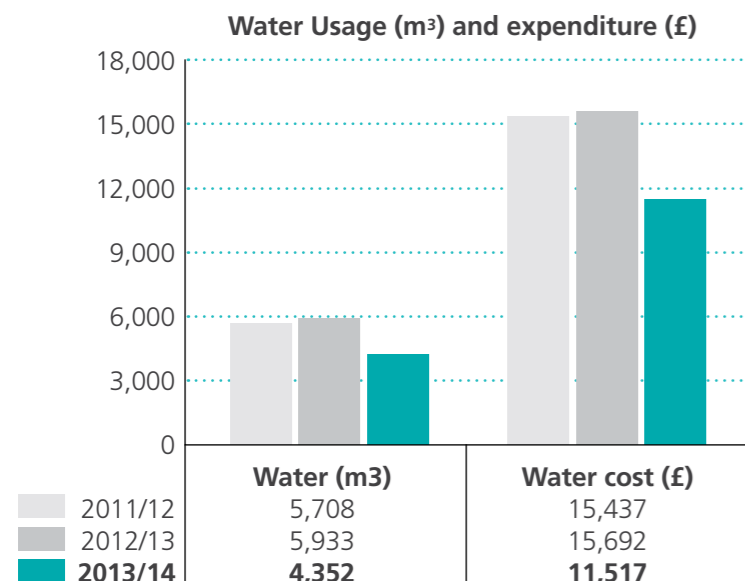
Graph 2: Financial indicators, whole estate



The Arts Council has achieved a reduction in overall financial expenditure from 2011/12 of approximately 14 per cent.

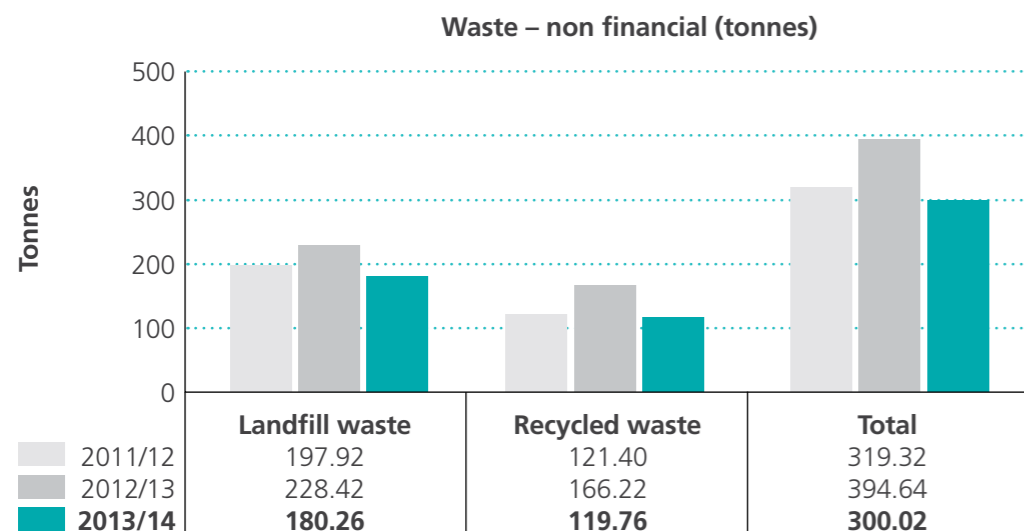
## Environmental sustainability

Graph 3: Water usage and expenditure



The London office has experienced a 35 per cent decrease in water usage and a 27 per cent reduction in cost. This was largely driven by the reduction in demand through reductions in the number of London based staff. In addition, the estimated figures provided for the South West office were higher than the actual costs.

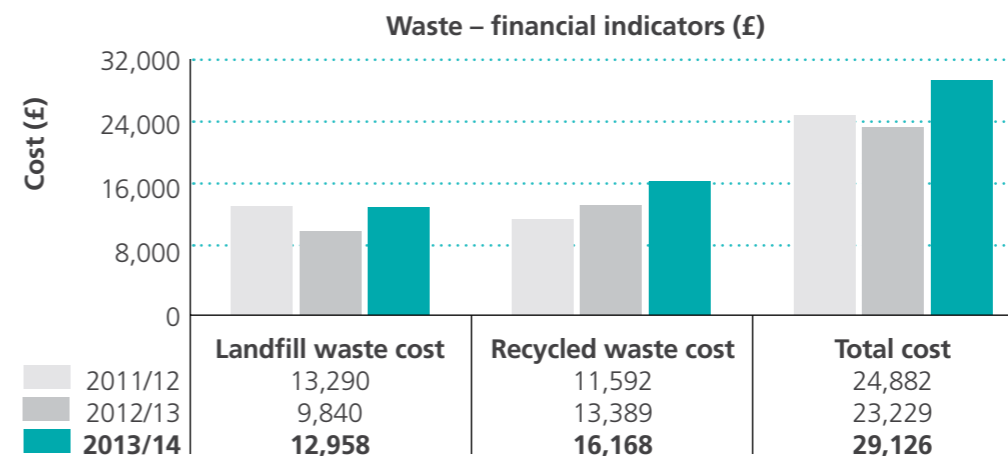
Graph 4: Waste, whole estate



Graph 4 shows our waste tonnage fell in 2013/14, however, Graph 5 shows waste costs increased during the same period. This increase is due in part to identifying previously unreported costs associated with waste disposal at our North East, North West and East offices and a general increase in costs passed on by our waste contractors.

The Arts Council offices continue to ensure our waste is disposed of in a sustainable way through credible sources. Our commitment has been established through dedicated recycling stations within all offices. Our commitment to this practice is reflected in our increased recycling shown in the above graph.

Graph 5: Waste expenditure, whole estate



### Environmental sustainability policy

Arts Council England published a new environmental sustainability policy in 2013/14. This sets out our guiding principles, how we will judge success and the action we will take.

### Guiding principles

- Arts Council England is committed to assessing its environmental impact and influence, taking action to reduce its own impacts and to prepare for environmental impacts, and evaluating and reporting what it does

### What success will look like

- Principles of, and the values implicit in, sustainability and resilience are embedded in Arts Council England's policies, practices, staff engagement and mindsets. These are at the heart of what we do
- Arts Council England leads by example and is considered a model of good, if not best, practice
- In turn, the arts and cultural sector has increased and continues to increase its resilience

### What we will do

- Work to understand and reduce our environmental impact
- Identify priority areas in which we will reduce our environmental impact
- Establish accurate baselines and SMART targets for our environmental impact in these areas
- Actively monitor and manage our work in these areas as part of our business continuity plan and prepare for environmental change
- Ensure full range of social, economic and environmental

aspects – including wider long-term impacts – are taken into account when reaching decisions

- Reflect, learn and improve

### Actions over the next 12 months

- Establish six-monthly reviews to assess our progress, and to coincide with other reporting duties
- Employee engagement: explore with relevant teams (such as internal communications) what actions to take to promote employee engagement with environmental sustainability issues, including a review of what we do now and identifying means with which to assess the progress we make in this area
- Estates: we will establish accurate baselines for the new offices and use standing reporting techniques. We will use the baselines to establish SMART targets and take action to reduce our environmental impact in this area
- Waste: we will establish an accurate baseline, taking account of office moves and other one-off incidents. We will then create a waste strategy and action plan with SMART targets (potentially including a zero-to-landfill policy for example)
- Travel: we will review the usage of our current initiatives in this area, such as season ticket loans and cycle to work schemes. We will establish the most effective sustainable travel policies
- Procurement: the shared legal services team will produce sustainable guidelines that align with best practice

Detailed information on how Arts Council England is working towards building resilience in the arts and culture sector through environmental sustainability can be found on pages 30 to 33.

## Trustees' report and management commentary

### Governance statement

Arts Council England was established by Royal Charter on 13 March 1994, taking over those responsibilities in England previously discharged by the Arts Council of Great Britain. The Arts Council of England, trading as Arts Council England, is a registered charity, charity registration number 1036733.

This is a single trustees' report and management commentary which covers the requirements for both the Grant-in-Aid accounts and the Lottery distribution accounts.

### Scope of responsibilities

The current objects of Arts Council England as stated in its Royal Charter are to:

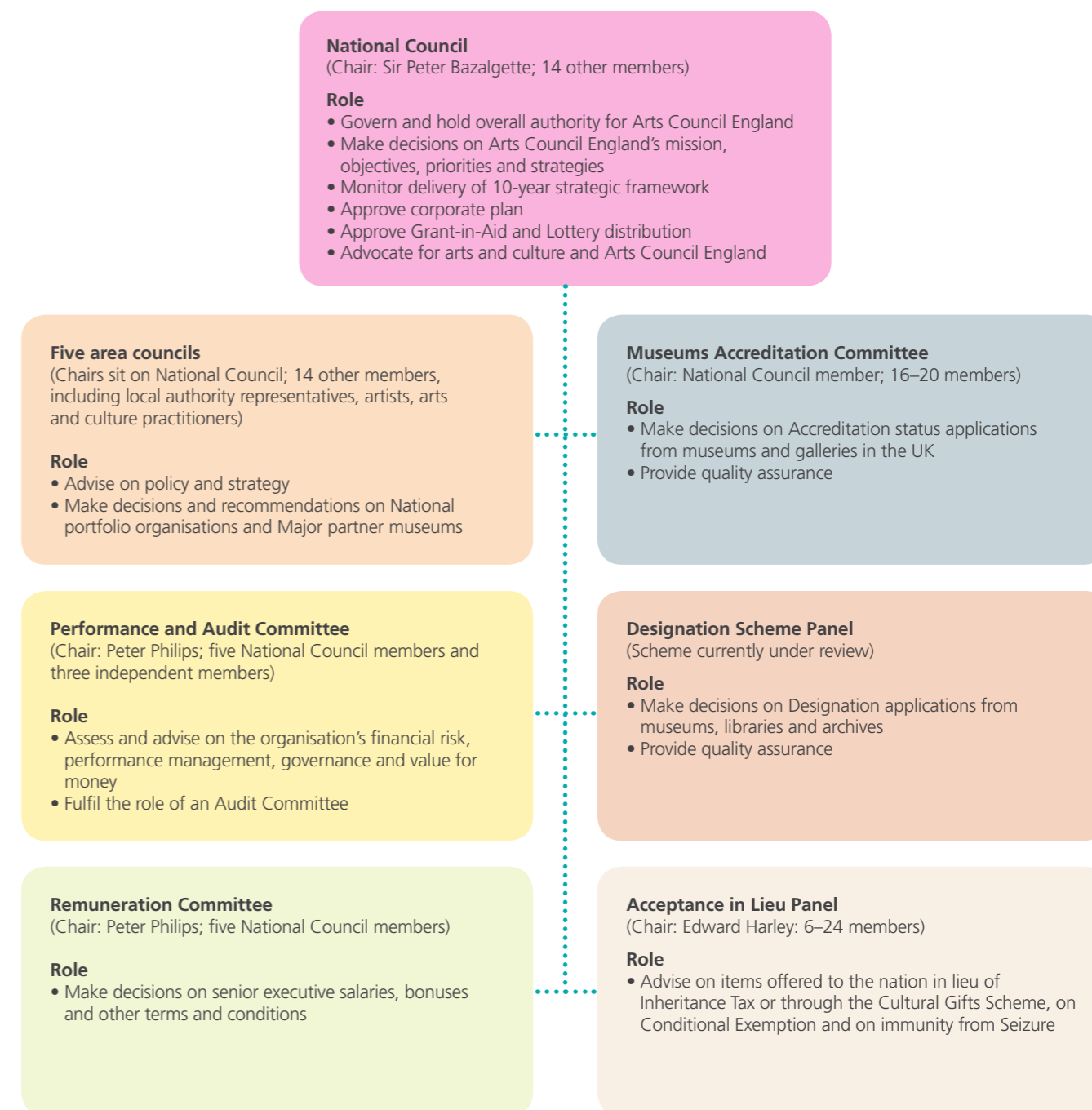
- develop and improve the knowledge, understanding and practice of the arts
- increase accessibility of the arts to the public in England
- advance the education of the public and to further any other charitable purpose which relates to the establishment, maintenance and operation of museums and libraries (which are either public or from which the public may benefit) or to the protection of cultural property
- advise and co-operate, where it is appropriate to do so, with departments of our government, our Scottish administration, the Northern Ireland Executive and the Welsh ministers, local authorities, the arts councils and equivalent organisations in the museums and libraries sector for Scotland, Wales, and Northern Ireland (or their successors) and other bodies on any matter related to the objects.

### The governance framework

Arts Council England works at arm's length from government and has the status of a non-departmental public body. It is also a registered charity. Accountability to Ministers is managed through the usual control mechanisms for arm's length bodies. Arts Council England is regulated in accordance with a management agreement agreed with the Secretary of State for Culture, Media and Sport. As a registered charity and a chartered body, Arts Council England is subject to a range of obligations and accountabilities set out in regulations and law. We prepare our accounts for Grant-in-Aid and Lottery distribution separately to comply with accounts directions issued by the Secretary of State and Charity Commission regulations.

Following an independent review of Arts Council England's non-executive governance model carried out by David Norgrove in 2012, significant changes to the governance structure have been implemented in 2013/14, replacing its nine regional councils by five area councils and abolishing its arts investment and arts policy committees, with the business of these committees being undertaken by the full Council instead. The new structure is set out opposite.

## Arts Council England non-executive governance structure



## Trustees' report and management commentary

### The role of National Council

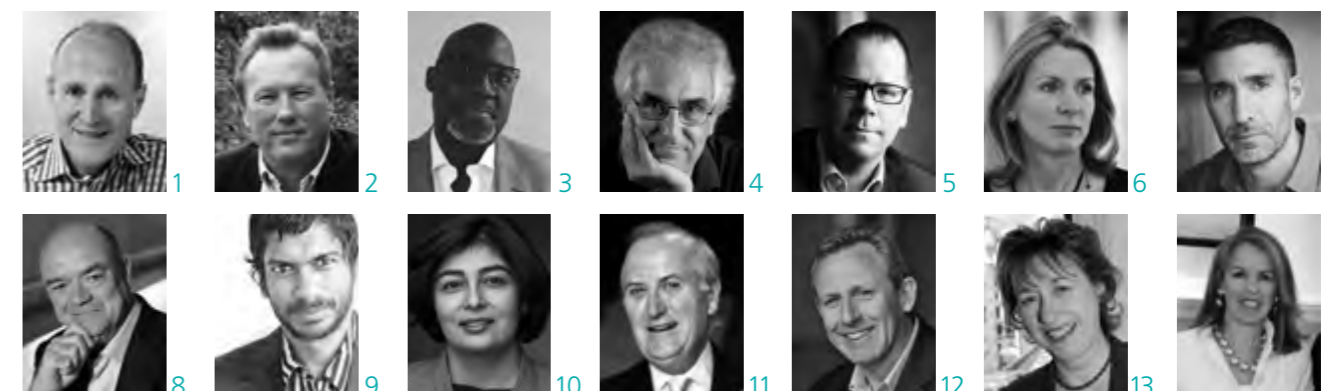
National Council is the non-executive board of Arts Council England. Council members, as charity trustees, retain overall responsibility for the work and conduct of the organisation. This includes responsibility for ensuring the achievement of Arts Council England's objectives, as set out in the Royal Charter. National Council's role and responsibilities are clearly outlined in Arts Council England's governance handbook. The handbook was reviewed in 2013 to reflect the changes to our governance structure.

National Council consists of 14 members with a broad range of artform and culture experience and expertise, five of whom also chair an area council. In line with the Code of Practice for Public Appointments processes, members of our National Council are appointed by the Secretary of State for Culture, Media and Sport except for the Chair of the London Area Council who is appointed by the Mayor of London. National Council members are usually appointed for four years, and may be reappointed for a further term of four years. National Council agreed in August 2013 to a temporary increase in its membership between October 2013 and April 2014 to allow it to recruit in 2013 to fill a vacancy that would arise in 2014.

All members of National Council are required to act in accordance with the Code of Practice for National and Area Council Members which is contained in the governance handbook. The Code reflects the 'Seven Principles of Public Life' (Nolan principles), which are also contained in the handbook, and both documents are brought to the clear attention of new members during their induction.

Six members retired in June 2013 and the DCMS embarked on an open recruitment campaign for new members which resulted in five new members being recruited. In addition Julie Finch stepped down in December 2013 as she moved overseas. This role was successfully recruited to Maria Balshaw who joined the Council on 1 April 2014. All new members were offered an induction session.

National Council met nine times in 2013/14. Membership of, and attendance at, National Council during 2013/14 is set out opposite.



Name	Member	Council Appointment	End of appointment	Meetings attended*
1 <b>Sir Peter Bazalgette</b>	Chair, Arts Council England	1 February 2013	31 January 2017	9/9
2 <b>Matthew Bowcock</b>	Member of National Council	1 September 2013	31 August 2017	6/6
3 <b>David Bryan</b>	Member of National Council	1 October 2013	30 September 2017	5/5
4 <b>Professor Jon Cook</b>	Chair, South East Area council (reappointed April 2013)	8 September 2008	31 March 2017	8/9
5 <b>Joe Docherty</b>	Chair, North Area Council (reappointed April 2013)	25 May 2011	31 March 2017	8/9
6 <b>Sheila Healy</b>	Chair, South West Area Council (reappointed April 2013)	4 January 2010	31 March 2017	8/9
7 <b>David Joseph</b>	Member of National Council	1 September 2013	31 August 2017	5/6
8 <b>Sir Nicholas Kenyon</b>	Member of National Council (reappointed April 2013)	3 November 2009	2 November 2017	8/9
9 <b>Keith Khan</b>	Member of National Council	1 May 2006	30 April 2014	6/9
10 <b>Nazo Moosa</b>	Member of National Council	1 September 2013	31 August 2017	4/6
11 <b>Peter Phillips</b>	Chair, Midlands Area Council (reappointed April 2013)	4 January 2010	31 March 2017	9/9
12 <b>Alistair Spalding CBE</b>	Member of National Council	26 January 2009 (reappointed April 2013)	25 April 2017	8/9
13 <b>Rosemary Squire OBE</b>	Member of National Council	26 January 2009 (reappointed April 2013)	25 April 2017	6/9
14 <b>Veronica Wadley</b>	Chair, London Area Council	1 July 2010	30 June 2014	8/9

\* (of the total meetings held which members could have attended)



## Trustees' report and management commentary

### Other members who served on National Council during the year

#### Lee Corner

Chair, Yorkshire Regional Council, until 30 June 2013

#### Caroline Collier

Chair, South East Regional Council, until 30 June 2013

#### Ekow Eshun

Member of National Council, until 25 April 2013

#### Julie Finch

Member of National Council, until 31 December 2013

#### Francois Matarasso

Chair, East Midlands Regional Council, until 30 June 2013

#### Alice Rawsthorn

Member of National Council, until 30 June 2013

#### Anil Ruia

North West Regional Council, until 30 June 2013

### Other members who were appointed between the final meeting of the year and the date of signing of the accounts

**Maria Balshaw:** became a member on 1 April 2014

#### Delegation of authority

National Council has established and delegated responsibility to area councils, committees, panels and other bodies.

Details are set out below:

- five area councils covering the breadth of England and reflecting Arts Council England's operational structure, to assist it in developing, championing and investing in the arts and culture
- Performance and Audit Committee to review and report on the systems of internal control, governance and managing performance review and scrutiny function on behalf of National Council
- Remuneration Committee to oversee the pay, performance and particular employment terms of senior staff (the remuneration report is set out on pages 46 to 49)
- Museums Accreditation Committee to decide on applications from museums for Accredited status and to oversee the museums Accreditation scheme
- Designation Scheme Panel to make decisions on applications to Arts Council England's Designation

scheme which identifies the pre-eminent collections of national and international importance held in England's non-national museums, libraries and archives, based on their quality and significance

- Acceptance in Lieu Panel to provide advice to ministers and to HM Revenue and Customs on the suitability of items offered in lieu of Inheritance Tax, for Conditional Exemption and under the Cultural Gifts Scheme. Advise on whether museums are meeting their obligations for Immunity from Seizure

Written terms of reference for the area councils, the committees and panels are set out in Arts Council England's governance handbook.

National Council has not established a 'Nominations committee'; instead decisions on appointing members to area councils, committees and panels are made by National Council. National Council has approved a scheme of financial delegations and authorities, which sets out the required level of approval or authorisation for financial commitments.

#### Executive management

National Council has also delegated responsibilities for implementation of its strategy and operational matters to the Chief Executive and Executive Board.

The Chief Executive has been authorised by National Council to undertake the day-to-day administration and management of the business and staff of the organisation. The Chief Executive is responsible to National Council for those matters. The Chief Executive, as the Accounting Officer, is responsible for Arts Council England's overall efficiency and effectiveness and has responsibility for reviewing the effectiveness of the system of internal control. This review is informed by the internal auditors, the Deputy Chief Executive, Executive Directors within Arts Council England and comments from the external auditors in their management letter and other reports. The Accounting Officer may, on occasion, be required to give evidence to Parliament's House of Commons Public Accounts Committee.

Executive Board meets formally each month to consider key policy, strategic and operational matters and provide advice to National Council, and it also oversees the financial performance and risk management of Arts Council England as a whole.

Written terms of reference and procedures for the Executive Board have been agreed by National Council.

The membership of Executive Board during 2013/14 and members' areas of responsibility is set out below.



### Membership of Executive Board in 2013/14

Name	Job Title
1 Alan Davey	Chief Executive
2 Althea Efunshile	Deputy Chief Executive
3 Laura Dyer	Executive Director - North, Midlands and South West
4 Simon Mellor	Executive Director - Arts and Culture
5 Moira Sinclair	Executive Director - London and South East
6 Elizabeth Bushell	Chief Finance Officer
7 Mags Patten	National Director, Advocacy and Communications

### Other Executive Board members during the year

8 Sarah Maxfield Interim Executive Director, North (until 30 June 2013)

## Trustees' report and management commentary

### The effectiveness of National Council

National Council undertook a self-assessment exercise in March 2014 to appraise its performance and identify areas for future development, as required by the Corporate Governance Code of Good Practice. This was assisted by some prompts from David Fishel's *Boards that Work*. Council regarded progress since the implementation of the new governance structure as satisfactory and the Chair undertook to pursue the following points made:

- could the Council be more cohesive, with a new sort of away day to discuss broader strategies?
- were the development needs of Council members attended to?
- was the expertise of Council members fully utilised?
- were the briefing papers too dense?
- since the change from nine regional councils to five area councils, were there enough non-London voices around the table?
- might a future review of Arts Council England's governance be carried out independently?
- there was also a discussion on whether all Executive Board members should permanently attend National Council meetings.

### Highlights of National Council and its committee reports in 2013/14

During 2013/14, National Council and its committees considered key strategic issues and routine business planning, including:

- Arts Council England's new governance framework, including amendments to its Royal Charter and a comprehensive review of its governance handbook
- the future management of Arts Council England's film, poetry and visual arts collections
- its settlement for 2015/16, its response to the Chancellor's 2013 Autumn Statement and the Investment approach for 2015 to 2018
- the refreshed strategic framework, *Great art and culture for everyone*
- the development of success measures under each of the five goals and frameworks for measuring and defining quality
- the case for continued public investment in arts and culture for their additional value to the individual and to society in terms of education and learning, health and societal well-being, and the economy
- a refreshed approach to supporting digital growth across arts, museums and libraries over the period 2014 to 2018
- Arts Council England's Lottery balance policy
- three-year arts and museums programme budgets

including the launch of the National portfolio organisation and Major partner museum Programme schemes for 2015-2018

- Arts Council England's performance against its objectives, and its financial performance, including identifying further organisational efficiencies
- changes to the Arts Council's estate as a result of the organisation review
- around 700 museum Accreditation applications
- four applications for Designated status, making one award, as well as a review of the Designation scheme

A number of significant investment decisions were made by National Council or its committees including:

- capital grants of around £27 million to nine organisations under Arts Council England's large capital programme
- items offered through the Acceptance in Lieu and the Cultural Gifts Schemes and their allocation to suitable organisations up to the £30 million permitted budget
- £18 million of the returning Olympic Lottery Distributor Fund to be used to form a new international fund supporting artists and organisations working abroad over the period 2014 to 2017
- £25 million to fund a new initiative, Exceptional Awards, supporting projects making a significant additional contribution to helping Arts Council England deliver its strategic vision

Members of National Council also received and discussed updates on:

- the progress being made on Arts Council England's goals
- the latest research on stakeholder perceptions of Arts Council England
- Arts Council England's resource position
- matters discussed at Performance and Audit Committee

### National Council's sub-committees

#### Area councils

Arts Council England overhauled its governance structure in 2013, replacing the nine regional councils with five area councils, one for each of its areas, to better reflect its new organisational structure.

Each area council consists of 15 members including the Chair who is also a member of National Council. Area councils meet five times a year, and one of these meetings is an away day.

Following an open recruitment campaign over the summer 2013, the five new area councils had their first meeting in September 2013.

Members have been appointed for various terms to ensure a managed transfer of knowledge and the continued effective operation of area councils.

Area councils support and promote the organisation's mission and objectives by providing advice on draft policies, making funding decisions and acting as advocates for the arts and culture, creating a live connection at an area level.

#### Performance and Audit Committee

National Council has appointed a Performance and Audit Committee to advise it on financial reporting, audit and assurance and risk management issues. It includes three independent members who have expertise in audit and accounting matters. National Council receives papers and minutes from the Performance and Audit Committee. The Chair of the Performance and Audit Committee reports to National Council meetings on any matters he considers need to be brought to their attention, and to provide assurance to National Council. The Performance and Audit Committee also provide a full report to the Board on their performance once a year.

The Performance and Audit Committee meets four times a year. The terms of reference of the committee were amended in June 2013 to better reflect the committee's role in relation to performance management, in particular how well Arts Council England's framework and processes for managing performance enable the organisation to manage and improve the delivery of its functions.

The committee was chaired by Anil Ruia until he retired as a member of the National Council in June 2013. Peter Phillips was appointed to replace him. Rosemary Squire stepped from the committee in September 2013. National Council appointed Alison Spalding, Nazo Moosa and

Matthew Bowcock to serve as members to the committee from September 2013 onwards.

During the year the key areas scrutinised by the Performance and Audit Committee included:

- internal audit findings
- Arts Council England's refreshed strategy, including the development of success measures under each of the goals
- the outcome of the audit on health and safety processes
- the strategy and timetable for internal audit procurement
- the external audit of the annual report and accounts for 2013/14 and the Governance Statement
- the strategic risk register
- the tender of internal audit services from 2014/15

#### Remuneration Committee

National Council has appointed a Remuneration Committee to deal with the matters set out in the remuneration report. The Remuneration Committee meets normally annually.

## Trustees' report and management commentary

### Risk management and internal control

#### Risk management

National Council ensures there are effective arrangements for internal control including risk management at Arts Council England.

The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of Arts Council England's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and yet economically. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. National Council takes the view that the absolute mitigation of all risks would be undesirable. It believes that it is important that Arts Council England is innovative and can take managed risks in pursuit of its overarching goal of great art, museums and libraries for everyone.

The system of internal control has been in place at Arts Council England for the year ended 31 March 2014 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

#### System for managing risk

The Department for Culture, Media and Sport (DCMS) has designated the Chief Executive of Arts Council England as Accounting Officer, with clear responsibility and accountability for maintaining a sound system of internal control within the organisation.

Internal audit provides the Accounting Officer with an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

Risk management forms part of the organisation's ongoing activity and is addressed as a matter of standard practice in its corporate programme and project plans. It continues to be a key element of how Arts Council England monitors its corporate policies and initiatives and is integrated into business planning across the organisation.

Arts Council England has in place a wide range of policies dealing with control issues for corporate governance, financial management (including fraud), project management, health and safety, training and development, information technology and risk management, all of which are reviewed and updated periodically as part of the organisation's business planning process.

Arts Council England operates a range of controls over the funding programmes it operates to ensure the grant funding provided is used for the purposes intended. These controls are designed to be commensurate with the level of risk associated with each funding programme. The controls include ensuring signed funding agreements are in place, monitoring payment conditions before payments are released, reviewing activity returns and regularly monitoring risks to funded organisations.

During 2013/14, Arts Council England continued to manage risk at the strategic, operational, and individual project, programme and activity levels. It also revised and updated its risk management procedures.

An annual strategic risk workshop is held to identify Arts Council England's key risks. The risks identified are then agreed by Executive Board and assigned to an Executive Board lead and risk owner or 'manager' who will manage mitigating actions and controls thereafter. Progress on implementing relevant controls and mitigating actions on strategic risks is reported on a quarterly basis to Executive Board and Performance and Audit Committee. An update is formally reported to National Council after each Performance and Audit Committee.

The key risks to the achievement of Arts Council England's objectives in 2013/14 are included in the strategic report at pages 70 to 73.

#### Internal audit

The annual programme of internal audit work is carried out by an external firm of accountants to standards defined in the Public Sector Internal Audit Standards. The work of internal audit is informed by the risk register, an assessment of the assurance requirements, particularly on the most significant risks facing Arts Council England, and the key day-to-day processes and systems in place. The annual internal audit plan is based on this analysis. It is endorsed by the Deputy Chief Executive's operational management group and approved by the Performance and Audit Committee.

The internal auditors receive all Performance and Audit Committee papers and attend the audit part of all Performance and Audit Committee meetings. They provide periodic progress reports including the findings of follow-up reviews, building up to an annual report on internal audit activity. This annual report includes the internal auditors' opinion on the overall adequacy and effectiveness of the systems that internal audit have reviewed. The Performance and Audit Committee reviews and discusses the progress report and the annual assurance report.

Internal audit services have been provided by Deloitte since April 2009. The contract for internal audit services with Deloitte expired on 31 March 2014.

Following an invitation to tender for the supply of internal audit services under the existing framework for internal audit services, Mazars were awarded the internal audit contract for an initial period of three years.

#### Review of effectiveness of internal control

The Accounting Officer and Chair of Council, as the representatives of the Trustees, have responsibility for reviewing the effectiveness of the system of internal control. This review of the effectiveness of the system of internal control is informed by the work of the internal auditors with the executive managers within Arts Council England who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. National Council and the Performance and Audit Committee have advised on the implications of the result of our review of the effectiveness of the system of internal control. A plan to address weaknesses and ensure continuous improvement of the system is in place.

#### Assessment of the effectiveness of internal control during 2013/14

Progress in achieving objectives set in the strategic corporate plan is monitored by the Executive Board and National Council.

Throughout 2013/14 we monitored our strategic, operational and project risks in accordance with our risk management policy. We also continued to revise and refine our risk management policies and procedures.

For 2013/14, internal auditors reported that they were satisfied that sufficient internal audit work has been undertaken to allow them to provide a conclusion of 'adequate and effective assurance' on the design, adequacy and effectiveness of the system of internal control. They arrived at this conclusion having reviewed the following processes:

- financial management
- contract management
- key controls review
- phase I and II of IT systems development
- sustainability review
- organisation review
- The Space Programme compliance review
- health and safety processes review
- follow-up on previous years' recommendations

Where weaknesses have been identified during the course of internal audit's work, the findings and the action that management have taken to address key weaknesses are reported to the Performance and Audit Committee.

No significant issues have come to light during the year.

#### Statement of compliance with the corporate governance code in central government departments and departures

Arts Council England is a non-departmental public body and a charity but it is fully compliant with relevant principles around governance best practice for public service and charitable bodies as set out in the *Corporate governance in central government departments: Code of good practice 2011*.

It has an effective National Council which engages directly with all of the strategic, operational and financial challenges facing Arts Council England and provides leadership for Arts Council England's work. Members of National Council are appointed by the Secretary of State for Culture, Media and Sport who seeks to ensure that National Council has an appropriate range of knowledge, skills and experience. The responsibilities of National Council members are set out in a code of conduct.

There is a policy on conflicts of interest for staff and members of National and area councils which is regularly reviewed and explained to new council members and staff. National Council has arrangements in place to discharge its duties effectively and there are effective arrangements for governance, risk management and internal control.

Registers of National Council members' interests are maintained and are reviewed by members at the beginning of each meeting; they are available for public inspection on Arts Council England's website.

Throughout 2013/14 Arts Council England has continued to improve its governance practices and strengthen its governance framework.

## Trustees' report and management commentary

### Matters of interest

#### Changes to our organisation during 2013/14

In response to the Government's 2010 spending review, which required a reduction in our Grant-in-Aid administration costs equivalent to 50 per cent by 2014/15, the organisation underwent some major changes, the biggest being the change in staffing structure. The decrease in funding is phased over the current settlement period with the most significant cuts in this year and next. We couldn't look at Grant-in-Aid administration separately to Lottery administration because our staff work across the two funding streams; therefore we took the opportunity to review our whole operation.

The objectives of the review were to:

- reduce our administration costs to the level agreed with DCMS
- explore and implement all opportunities to improve our organisational performance and efficiency
- meet the expectations and needs of all our stakeholders
- preserve our vision and values – to achieve our 10-year strategy and vision for the arts and culture, as defined in *Great art and culture for everyone*
- put in place an Arts Council that is 'future fit'

The new staffing structure was implemented from 1 July 2013 and a full analysis of the success of this change will be commissioned at the 12 month anniversary on 1 July 2014.

Other substantial changes are still under way with the implementation of new business systems happening in July and November 2014 and a reduction in our property holding, discussed further under sustainability.

#### Human resources update

In 2013/14 the implementation of the organisation review concluded with the last stages of redeployment and recruitment to new posts in the organisation structure. This was a large exercise – with 96 staff redeployed into new roles and a further 107 who were externally recruited. 171 staff were made redundant as their posts were deleted or their contracts had expired. The organisation's headcount was reduced from 563 to 467 as at 31 March 2014. The majority of the redundancies took effect on 30 June 2013. Most of the 107 new staff who joined the organisation to take on roles created for the new structure had start dates being on or around 1 July 2013.

With such a high turnover of staff roles and numbers, the new, restructured Arts Council England has been focused on the challenges of realigning and redefining roles, priorities and processes at all levels within the organisation. The new organisation commenced in the summer with induction programmes for the staff that were new to their role or to the organisation. A series of workshops for all staff to reinforce the ways of working and values of the organisation followed. All teams have been busy bedding in with new team members, priorities and reporting lines. In December 2013 and January 2014 a six month review of the new structure was conducted – with all teams across the organisation providing feedback on how well the refocused roles and responsibilities and reduced staff numbers were meeting our challenges. This provided useful feedback on ways in which we could fine tune these as we move forward.

Internally, there continues to be arrangements to promote effective communication, involvement and consultation with staff. Executive Board, and National Council decisions are disseminated through local team briefings, our intranet and regularly emailed updates from the Chief Executive, Deputy Chief Executive and others, supplemented from time to time by organisation-wide, region-wide and departmental meetings. A 'business day' for all staff to attend was held in Manchester in November 2013.

Two employee 'pulse' surveys, sampling staff opinion on the organisation review process, the progress of the 'new' Arts Council England structure and other significant issues for its employees, have been conducted in this year, with the findings and action to address any concerns discussed at senior management level. The performance management process for staff – in which annual objectives are set and reviewed at year end – will continue to be a key driver for organisational change and personal development. Work is being done to enable even closer alignment between individual's objectives and those of their department or area of the organisation.

Sickness absence rates remain low, at 1.8 per cent in 2014 (1.6 per cent in 2013). Another positive indicator is the low level of formal employee relations cases during the year. The four of these which have taken place in the year under review all related to redundancies arising from the organisation's restructure.

In terms of representation levels of some diverse groups within the workforce, the proportion of our current staff (at 31 March 2014) who classify themselves as lesbian, gay, bisexual or transgender is at 9.4 per cent (2012/13

8.5 per cent) the proportion of disabled staff is 3.2 per cent (2012/13: 3.9 per cent) and the proportion of our staff who classify themselves as black, asian or other minority ethnic is 12.6 per cent (2012/13: 13.0 per cent). These figures were kept under review through the intense redeployment, redundancy and recruitment exercises of the organisation restructure and efforts will continue to be made to ensure we maintain a diverse workforce through recruitment.

More formally, Arts Council England recognises the trade union Unite for consultation and collective bargaining, with well-established consultative arrangements. The National Joint Consultative and Negotiating Committee (NJCNC) handle negotiations about employee reward and benefits, employment terms and policies. In the 18 months to 30 June 2013, it had a role of heightened importance to play as the forum for formal consultation on the planning and implementation of the restructuring for the organisation. The NJCNC is supported by Local Joint Consultative and Negotiating Committees currently in each of the organisation's workplaces.

#### Objectives and activities for the public benefit

The Royal Charter is at the core of our mission. This mission, as reflected in our strategic framework *Great art and culture for everyone*, represents what Arts Council England is for, and reflects why John Maynard Keynes set up the Arts Council in 1946, 'to give courage, confidence and opportunity to artists and their audiences'.

Information about our strategic framework, our goals and activities to achieve these, as well as our funding programmes can be found on pages 20 to 39.

*Great art and culture for everyone* has informed the design of the National portfolio organisations and Major partner museums investment programme for 2015 to 2018 which was launched in January 2014.

#### Grants to locally governed organisations

All grants awarded by Arts Council England are subject to funding agreements with clearly laid out terms and conditions. We satisfy ourselves that relevant conditions are met before payment is made.

#### Ministerial directions

There were no ministerial directions issued during 2013/14 which affected Arts Council England.

#### Data security and personal data

Arts Council England suffered no protected personal data incident during 2013/14 or prior years and has made no

such report to the Information Commissioner's Office. There have been four minor incidents where there was no adverse impact on, or damage to, individuals. Arts Council England dealt with all incidents immediately and full investigations were carried out with recommendations made and accepted.

Arts Council England continues to work more effectively to maintain its performance in responding to information requests, identify opportunities to proactively disclose information, and embed good information handling behaviours across the organisation.

#### Public sector information

On 1 April 2009 Arts Council England became a provider of official statistics under the extended scope of the Statistics and Registration Act 2008. This means that when Arts Council England produces, manages and disseminates official statistics we strive to abide by the *Code of Practice for Official Statistics* published by the UK Statistics Authority in January 2009.

The code sets out a number of important principles and practices to ensure that the official statistics meet the needs of government and society and are both trustworthy and trusted.

#### Better Payment Practice Code

We attempt to abide by the Better Payment Practice Code, and in particular pay bills in accordance with our contracts. Invoices are normally settled within our suppliers' standard terms, usually 30 days, and we aspire to settle invoices within 10 days. Our average creditor days for 2013/14 were 19.5 days (2012/13: 17.7 days).

#### Subsidiary undertakings

ArtCo Trading Limited, registered address Central Square, Forth Street, Newcastle upon Tyne, NE1 3PJ, was a wholly owned subsidiary of Arts Council England with share capital of two ordinary shares at £1 each. The main purpose of this trading arm was to run Arts Council England's two interest free credit schemes, Own Art and Take it away, for the purchase of works of art and musical instruments respectively and Creative Industry Finance, a scheme providing loans of up to £25,000 to creative small and medium sized enterprises to enable business growth and to support talent development.

From 1 May 2013 the management of these schemes was transferred to an independently run community interest company, Creative Sector Services. Creative Sector Services received Grant-in-Aid funding of £1.285 million for these three schemes directly from Arts Council England.

## Trustees' report and management commentary

As at 31 March 2014, there were three Arts Council England employees on the ArtCo Trading Limited board. In addition, the board was chaired by the Executive Director, Arts and Culture.

With the transfer out of these schemes, Arts Council England had no further use for ArtCo Trading Limited and started the process for the company to be struck off the register and dissolved. The company was formally dissolved on 20 May 2014.

### Joint arrangement

The Space CIC, registered address 14 Great Peter Street, London, SW1P 3NQ, is a new community interest company that was established on 22 August 2012 in order to run The Space project once its pilot phase had been completed.

In May 2013, we wrote to the Secretary of State setting out reasons why Ministers should not intervene under Section 27 of the National Lottery etc Act 1993 to prohibit distribution of Lottery funding of up to £8.1 million from Arts Council England to The Space. We received a response from the Minister for Sport and Tourism stating that:

'As Minister with responsibility for the National Lottery, I have considered the information you have supplied to the Department and am content that I should not make an order prohibiting payment of Lottery monies to The Space for the purposes described. This decision is given in reliance on the representations set out in your letter, and in previous correspondence with my officials in relation to this matter. This includes your assurance that a further award of Lottery funding beyond this £8.1 million will not be made, and that you will seek to implement altered governance arrangements for The Space beyond an initial three year period such as to remove Arts Council England's direct involvement.'

The company's activity aims to provide benefit to all sectors of the community by providing access via a range of digital platforms to high quality artistic and cultural experiences. This will bring arts and culture directly into people's homes or a place of their choosing, putting them in control of when and how they access arts and cultural experiences and ensuring that cost and geographical location are not barriers to access. The Space will help to develop individuals and organisations within the arts and cultural sectors so that they are better equipped to meet the opportunities presented by the fast-moving digital environment and better serve their audiences. It will also encourage more sustained and better quality engagement with new and archival

arts and culture via digital media from a wide range of audiences.

As at 31 March 2014, there are two Arts Council England employees on The Space CIC board. In addition, three BBC employees are directors with only two at a time attending board meetings. The board is chaired by an independent director, appointed 5 February 2014. During 2013/14 all board meetings held and decisions made by The Space CIC board were on a 50/50 basis between Arts Council England and BBC staff. A member of staff from Arts Council England and a member of staff from the BBC resigned from the board in February 2013. It is the intention of the independent Chair to appoint further independent Directors in the coming financial year and to ensure parity between BBC and Arts Council England directors.

### Legal and administrative information

#### Official address as at 31 March 2014

Head office address:  
 14 Great Peter Street  
 London  
 SW1P 3NQ

#### Banker

Co-operative Bank  
 78–80 Corn Hill  
 London  
 EC3V 3NJ

#### Auditor

Comptroller and Auditor General  
 National Audit Office  
 157–197 Buckingham Palace Road  
 Victoria  
 London  
 SW1W 9SP

#### Administrators, actuaries and investment advisers to the Arts Council Retirement Plan

Hyman Robertson LLP  
 20 Waterloo Street  
 Glasgow  
 G2 6DB

#### Solicitors

A number of specialised solicitors have been appointed to our external solicitor pool.

## Strategic report

This strategic report is prepared as part of, and continuation of, the Trustees' Report and Management Commentary.

### Achievements and performance

The following indicators are included in our management agreement with the DCMS for 2012–15.

Our regular funding programme ended on 31 March 2012 and was replaced by the National portfolio funding programme, which launched on 1 April 2012. The composition of the National portfolio funding programme differs in size and type from the regular funding programme, meaning that comparators shown do not represent like for like. In 2012/13 a new baseline, comprising data collected from National portfolio organisations alone, will be set for these indicators.

This information comes from the annual survey completed by the National portfolio organisations and the results are based on survey data received during 2013/14 for the financial year 2012/13.

#### An increase in contributed income<sup>1</sup> in National portfolio organisations and Major partner museums between 2012–15<sup>2</sup>

Baseline 2011/12: £136,544,867  
 (N=796 Regularly funded organisations responding to annual submission)

2012/13: £158,372,145  
 (N=689 National portfolio organisations responding to annual submission)

Source: annual submission of Regularly funded organisations, 2011/12 and annual submission of National portfolio organisations, 2012/13

<sup>1</sup> Contributed income is the same as 'charitable income' and includes sponsorship, donations, private giving and trusts and foundations.

<sup>2</sup> This indicator was included in our interim funding agreement with the DCMS for 2011/12, under the measure 'Total amount of charitable giving (donations and sponsorship)'.

#### Ratio of charitable giving to Arts Council grant

Baseline 2011/12: 42.6 per cent  
 (N = 796 Regularly funded organisations responding to annual submission)

2012/13: 47 per cent  
 (N = 689 National portfolio organisations responding to annual submission)

Source: annual submission of Regularly funded organisations, 2011/12 and annual submission of National portfolio organisations, 2012/13

#### An increase in the amount of activity made available to audiences digitally through National portfolio organisations and Major partner museums

Baseline 2012/13: 39.3 per cent per organisation

Baseline 2012/13: Number of unique visitors to a website, 75.7 per cent of organisations reported an increase in unique visitors.

Baseline 2012/13: 34.5 per cent had available digital content.

Source: annual reviews of National portfolio organisations 2012/13

#### Sustained attendance/visitor numbers in National portfolio organisations and Major partner museums over the period 2012–15

Baseline 2011/12: 89,415,012 known plus estimated attendances to Regularly funded organisations  
 (N = 796 Regularly funded organisations responding to annual submission)

2012/13: 105,990,467 – combined figure for known and estimated attendances to performances, exhibitions and film screenings in England.  
 (N = 689 National portfolio organisations responding to annual submission)

Source: annual submission of Regularly funded organisations, 2011/12 and annual submission of National portfolio organisations, 2012/13

## Strategic report

### Financial review

#### Grant-in-Aid

Arts Council England receives Grant-in-Aid from the Department for Culture, Media and Sport (DCMS).

DCMS provided Grant-in-Aid of £461 million for the year (2012/13: £469 million) which included £18 million capital funds to allocate as grants. It also included funding via the Department for Education (DfE) of £67 million (2012/13: £54 million) to support the implementation of the recommendations in the Henley reviews of music and cultural education. In addition we received £1 million (2012/13: £5 million) of grants and donations for specific strategic projects from a number of organisations detailed in note 3 of these accounts.

During the year we awarded grants to our National portfolio organisations of £311 million (2012/13: £310 million). In addition, we spent £56 million (2012/13: £81 million) through grants and direct expenditure on strategic initiatives and £72 million (2012/13: £62 million) on restricted activities.

As a non departmental public body, we have a duty to stay within our Departmental Expenditure Limits (DEL) budgets set by the DCMS, irrespective of how the financial statements then translate when prepared under the Charities SoRP.

Our provisional out-turn against our revenue DEL budgets, set by the DCMS, is at breakeven for the year (2012/13: underspend of £3.641 million). However, the statement of financial activities shows net incoming resources for the year of £4.7 million (2012/13: net incoming resources for the year of £1.1 million) on unrestricted funds after exceptional items. The difference between our performance against our DEL and the net incoming resources for the year of £4 million is wholly attributable to the treatment of provisions, ie new provisions and unutilised provisions are not included within our DEL totals until they are utilised. This does not match the accounting treatment, but is consistent with HM Treasury's *Consolidated Budgeting Guidance* (section 3.65).

At 31 March 2014, Arts Council England had unrestricted reserves of £11.2 million (2012/13: £7.1 million) together with £1.5 million (2012/13: £1.7 million) restricted reserves. Our policy on reserves has been to ensure that we hold sufficient funds to maintain liquidity, to cover unforeseen short-term cash requirements and to cover planned future expenditure. We review this policy and our reserves position annually. However, our use of reserves is

restricted by the government's budgetary controls, which has meant that we would require DCMS approval to use our reserves if it is necessary to do so.

Our arts programme funding for 2014/15 was reduced in the 2012 autumn statement, the 2013 budget and again in the 2013 autumn statement. Our original funding for 2014/15 following the 2010 spending review was £349.2 million. The current allocation is £335.1 million, a reduction of £14.1 million, or 4.09 per cent, overall. We have however, managed to secure a roll forward from 2013/14 of £2 million to take the allocation to £337.1 million. Of this total, £14 million is designated as administration budget, of which £1.8 million is a non cash budget to cover depreciation. The administration element in the years 2011/12, 2012/13, 2013/14 and 2014/15 was £22.6 million, £21.6 million, £16.6 million and £12.2 million respectively. The savings in administration were made mainly through reduced staff and property costs as a result of the implementation of a major organisational review with effect from 1 July 2013.

In November 2010, the Minister for Culture announced that the responsibility for museums, libraries and cultural property would be transferred to Arts Council England. This was subsequently endorsed by the Arts Council's National Council in December 2010, with subsequent amendments to the Arts Council of England's Royal Charter to include this as a further object. A transfer agreement was entered into between Museums, Libraries and Archives Council, the Arts Council and the Secretary of State for Culture, Olympics, Media and Sports (acting through DCMS) which confirmed the take over as effective on 1 October 2011. As a result of this our funding for 2012/13, 2013/14 and 2014/15 was increased to reflect this by £46.7 million, £46.1 million and £46.1 million respectively for programme budgets and core costs.

The 2014/15 museums and libraries budgets also suffered reductions and the current allocation is £44.1 million. Of this, £2.75 million has been designated as museums and libraries administration. However, the organisational review unified the administration for arts, museums and libraries, so for internal budgeting purposes, there is one single administration budget of £14.9 million.

We also took on the responsibility for funding the Tyne and Wear archives and museums from DCMS in 2012 which increased our funding by a further £1.9 million.

Overall our Arts and Culture budget for 2014/15 now stands at £383 million. Additionally, we have also had

confirmation that we will receive £62.1 million via the DfE for 2014/15 to continue the work we do on music and cultural education.

In July 2013 the 2013 spending round negotiations for 2015/16 were announced. Funding for DCMS was reduced by 7 per cent in real terms but funding for the arts was protected and only cut by 5 per cent. The funding settlement was for the financial year 2015/16 only and our Grant-in-Aid budget was confirmed at £372.8 million. However, the 2013 autumn statement announced a further reduction of £4 million in cash terms.

Fees paid to the National Audit Office for Grant-in-Aid audit services during 2013/14 were £64,000 plus non recoverable VAT (2012/13: £64,000 plus non recoverable VAT).

Full details in relation to financial instruments are given in note 25 to the Grant-in-Aid accounts.

#### Lottery distribution

Arts Council England is one of the bodies designated to distribute funds from the National Lottery by the National Lottery etc Act 1993 (as amended by the National Lottery Act 1998).

New Lottery grant commitments (offers made and accepted) in the year totalled £173 million (2012/13: £317 million). The reduction in new commitments is due to the three year cycle in which we offer grants and 2013/14 is year two within that three year cycle.

At year-end, a total of £267 million (2012/13: £311 million) accepted grant commitments remained outstanding and awaiting payment together with £21 million (2012/13: £18 million) commitments offered but not accepted. This compares with a balance in the National Lottery Distribution Fund, plus bank balances, of £302 million (2012/13: £297 million). We monitor levels of Lottery income closely, and the level of outstanding grant commitments is considered prudent, based on past and projected income flows.

At 31 March 2014, our balance in the National Lottery Distribution Fund account was £287 million (2012/13: £282 million). This year the National Lottery Distribution Fund balance has slightly increased as we have drawn down and paid out funds just short of the value of our share of net proceeds.

Actual proceeds received in 2013/14 were £24 million lower than originally forecast, of which £9 million was a diversion by Camelot to cover Lotto promotions for the new £2 game. There has also been a decline in the weekly average from July 2013 onwards, with a short lived increase in the quarter after the launch of the new Lotto game.

Taking these factors into consideration we believe that our Lottery financial model should preserve a balance of at least £50–80 million in each year over the period to 2017/18. This is the equivalent of approximately three to four months' worth of income or cash payments which we feel is sufficient to mitigate the risks involved while ensuring that we commit to as high a value of Lottery grant programmes as possible.

Further details of the activities and policies of Arts Council England are included in the National Lottery report 2013/14 (see pages 132 to 142).

Full details in relation to financial instruments are given in note 18 of the notes to the Lottery distribution accounts. Fees paid to the National Audit Office for Lottery external audit services during 2013/14 were £64,000 (2012/13: £64,000).

## Strategic report

### Consolidated activities

We prepare separate accounts for our Grant-in-Aid and Lottery distribution as required by the Secretary of State. We do not prepare a full set of consolidated accounts due to the differing accounting policies we are required to follow under the two separate accounts directions. However, to give a better understanding of our activities, we have prepared the following summary results for the two accounts combined for the 2013/14 and 2012/13 financial years.

	2013/14 £000s	Restated 2012/13 £000s
<b>Income</b>		
Grant-in-Aid income	460,721	469,227
Share of the National Lottery Distribution Fund	230,800	270,153
Investment returns on the Distribution Fund	1,083	1,445
Other income	2,058	5,600
<b>Total income</b>	<b>694,662</b>	746,425
<b>Expenditure</b>		
Net Grant-in-Aid grant commitments	439,511	438,072
Other Grant-in-Aid arts expenditure	2,604	7,111
Net Lottery grant commitments	167,778	297,222
Contribution to Olympic Lottery Distribution Fund	0	14,101
Support costs	32,738	36,059
<b>Total expenditure</b>	<b>642,631</b>	792,565
<b>Exceptional items</b>		
Cost of fundamental reorganisation	0	(9,810)
<b>Net incoming/outgoing resources</b>	<b>52,055</b>	(55,950)
Profit on revaluation of fixed assets and loss on disposal of heritage assets	15,387	9,477
Net gains on investments	24	0
Actuarial losses on defined benefit pension schemes	(1,090)	(1,400)
	<b>14,321</b>	8,077
<b>Net movement in funds</b>	<b>66,376</b>	(47,873)
<b>Consolidated reserves brought forward</b>	<b>88,626</b>	136,499
<b>Consolidated reserves carried forward</b>	<b>155,002</b>	88,626

The above figures for net Lottery grant commitments include an accounting policy adjustment to reflect Grant-in-Aid accounting policies (note 1). This has the effect of increasing net grant commitments compared with the figures in Lottery distribution accounts by £3.9 million in 2013/14 (2012/13: decrease of £15.6 million).

### Plans for the future

The first publication of our 10-year strategic framework in 2010 marked a new era for us, because it set out in detail how we would achieve sustainable growth in our sector, and how we would use our investment to make real long-term change. This revised strategic framework, incorporating all of our responsibilities, sets out how we intend to secure the legacy of our arts, museums and libraries. It identifies how Arts Council England and its partners can build on existing strengths, respond to opportunities, and rise to the challenges we face now and in the future. We know that the decisions now being made by those with historic collections, as well as by those commissioning new work, will affect the strength of the cultural landscape for decades to come. We also recognise that these are difficult times for public funding. We will not be able to deliver success on our own. We will need partners across public and private sectors – partners in the arts and in education, in business and science, in communities and in local and central government – so that we can ensure we are doing all that we can with our investment. It will require careful and intelligent investment, development, support and great clarity as to how and why we are making our decisions.

We have lots of work to do before 2020. Following the publication of our refreshed strategy in October 2013, we began drafting the next Arts Council England plan, which will run from 2015 to 2018. It will describe in more detail how we intend to achieve success in the five goals and will propose how we can use our role as an investor, developer and advocate of arts and culture to ensure that they play an even greater role in our national life.

### Principle risks and uncertainties

The key risks to the achievement of Arts Council England's objectives in 2013/14 included:

- implementation of a fundamental review of its operating model and organisation structure (further details set out in matters of interest at page 66).
- declining Grant-in-Aid income with continued volatility in our Lottery income. To address this risk in 2013/2014 we have adopted a Lottery balance policy and we have agreed a total investment approach for 2015–2018 which includes some scalable programmes which we can either scale down or up depending on actual income received in that period.
- the impact of the economic climate on the financial health of the arts and cultural sector. In addition to the work done previously to improve resilience in the arts sector, such as through the Catalyst investment programme which aims to improve levels of fund-raising, in 2013/14 we launched an exceptional awards programme to support innovation and risk taking in these straightened times.

## Strategic report

### Statement of Trustees' and Chief Executive's responsibilities

Under both the Royal Charter and the National Lottery etc Act 1993 (as amended by the National Lottery Act 1998), Arts Council England is required to prepare a statement of accounts for the financial period in the form and on the basis directed by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury. The accounts are to be prepared on an accruals basis and to show a true and fair view of Arts Council England's state of affairs at the year end and of our incoming resources and resources expended and cash flows for the financial year.

The Grant-in-Aid accounts are also prepared so as to comply with the *Charities Statement of Recommended Practice* (revised 2005) and the Lottery distribution accounts are prepared in line with the *Government Financial Reporting Manual*. Both sets of accounts are also expected to:

- observe the accounts directions issued by the Secretary of State which sets out accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the *Charity Statement of Recommended Practice* or *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements
- be prepared on a going concern basis, unless it is inappropriate to presume that Arts Council England will continue in operation

The Principal Accounting Officer of the DCMS has designated the Chief Executive as the Arts Council of England's Accounting Officer. The responsibilities of the accounting officers for arms' length bodies are set out in chapter 3 of *Managing Public Money*. Formally the Accounting Officer is the person who parliament calls to account for stewardship of its resources.

In approving these accounts, the Trustees have complied with their duty under section 11 of the Charities Act 2011 to have due regard to guidance published by the Charity Commission.

A copy of the Grant-in-Aid and Lottery distribution accounts directions are available from the Accounting Officer, Arts Council England, 14 Great Peter Street, London, SW1P 3NQ.

**Alan Davey**  
 Chief Executive  
 26 June 2014

**Sir Peter Bazalgette**  
 Chair  
 26 June 2014



- 1 Review of the year
- 2 Highlighted information
- 3 Grant-in-Aid accounts

- 4 Lottery distribution accounts
- 5 National Lottery report

Viva member Catherine Coeshott learning to play the pan drum with 'Bubbles', London. Credit: Ben Cole



# GRANT-IN-AID ACCOUNTS

## The report of the Comptroller and Auditor General to the Trustees of Arts Council England

I have audited the financial statements of Arts Council England for the year ended 31 March 2014. The financial statements comprise: the statement of financial activities, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the remuneration report that is described in that report as having been audited.

### Respective responsibilities of the Trustees, Chief Executive and auditor

As explained more fully in the statement of Trustees' and Chief Executive's responsibilities, the Trustees and Chief Executive, as Accounting Officer, are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with relevant legal and regulatory requirements. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of: whether the accounting policies are appropriate to Arts Council England's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Arts Council England; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Arts Council England's affairs as at 31 March 2014 and of its incoming resources and application of resources, including income and expenditure, for the year then ended; and
- the financial statements have been properly prepared in accordance with the Royal Charter and Secretary of State directions issued thereunder

### Opinion on other matters

In my opinion:

- the part of the remuneration report to be audited has been properly prepared in accordance with Secretary of State directions made under the Royal Charter; and
- the information given in the Trustees' report and management commentary for the financial year for which the financial statements are prepared is consistent with the financial statements

### Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the remuneration report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the governance statement does not reflect compliance with HM Treasury's guidance

Sir Amyas C E Morse KCB  
 Comptroller and Auditor General  
 National Audit Office  
 157–197 Buckingham Palace Road  
 Victoria  
 London, SW1W 9SP

1 July 2014

## Statement of financial activities for the year ended 31 March 2014

	Note	Unrestricted funds £000s	Restricted funds £000s	Endowment funds £000s	Total 2013/14 £000s	Restated 2012/13 £000s
<b>Incoming resources</b>						
Incoming resources from generated funds						
Voluntary income	2a	377,905	82,816	438	461,159	469,227
Investment income	2b	73	0	11	84	70
Incoming resources from charitable activities	3	191	821	0	1,012	4,686
<b>Total incoming resources</b>		<b>378,169</b>	<b>83,637</b>	<b>449</b>	<b>462,255</b>	473,983
<b>Resources expended</b>						
Charitable activities						
Governance costs	4d	451	0	0	451	740
<b>Total resources expended</b>		<b>373,465</b>	<b>84,102</b>	<b>0</b>	<b>457,567</b>	466,825
<b>Net incoming/(outgoing) resources before exceptional items</b>						
		<b>4,704</b>	<b>(465)</b>	<b>449</b>	<b>4,688</b>	7,158
<b>Exceptional items</b>						
Cost of fundamental reorganisation	26	0	0	0	0	(6,083)
<b>Net incoming/(outgoing) resources before other recognised gains and losses</b>	8	<b>4,704</b>	<b>(465)</b>	<b>449</b>	<b>4,688</b>	1,075
<b>Other recognised gains/(losses)</b>						
Net gains on investments	31	0	0	24	24	0
Gain on revaluation of heritage assets	9	15,298	89	0	15,387	9,477
Actuarial losses on defined benefit pension scheme	7	(1,090)	0	0	(1,090)	(1,400)
<b>Net movement in funds</b>		<b>18,912</b>	<b>(376)</b>	<b>473</b>	<b>19,009</b>	9,152
<b>Reconciliation of funds</b>						
Balance brought forward at 1 April 2013		120,523	5,807	0	126,330	117,178
<b>Balance carried forward at 31 March 2014</b>		<b>139,435</b>	<b>5,431</b>	<b>473</b>	<b>145,339</b>	126,330

All material activities are classed as continuing and all recognised gains and losses have been included in this statement of financial activities.

The notes on pages 82 to 109 form part of these accounts.

### Balance sheet as at 31 March 2014

	Note	Unrestricted funds £000s	Restricted funds £000s	Endowment funds £000s	Total 31 March 2014 £000s	Restated 31 March 2013 £000s
<b>Fixed assets</b>						
Tangible assets	9	5,500	0	0	5,500	5,148
Heritage assets - Works of art	9	129,904	4,383	0	134,287	118,559
Investments	31	0	0	473	473	0
<b>Total fixed asset</b>		<b>135,404</b>	<b>4,383</b>	<b>473</b>	<b>140,260</b>	123,707
<b>Current assets</b>						
Debtors	11	1,298	318	0	1,616	1,511
Due from Arts Council Lottery accounts		2,572	0	0	2,572	5,168
Grants paid in advance	12	625	14	0	639	522
Cash at bank and in hand	23	17,881	3,568	0	21,449	21,935
<b>Total current assets</b>		<b>22,375</b>	<b>3,900</b>	<b>0</b>	<b>26,275</b>	29,136
<b>Liabilities:</b>						
Creditors: amounts falling due within one year						
Grants outstanding		7,575	2,674	0	10,249	6,999
Creditors	13	3,058	178	0	3,236	8,622
<b>Total creditors: amounts falling due within one year</b>		<b>10,633</b>	<b>2,852</b>	<b>0</b>	<b>13,485</b>	15,621
<b>Net current assets</b>		<b>11,743</b>	<b>1,048</b>	<b>0</b>	<b>12,791</b>	13,515
<b>Total assets less current liabilities</b>		<b>147,147</b>	<b>5,431</b>	<b>473</b>	<b>153,051</b>	137,222
Creditors: amounts falling due after more than one year						
Provisions for liabilities and charges	14	575	0	0	575	4,530
<b>Net asset excluding pension liability</b>		<b>146,572</b>	<b>5,431</b>	<b>473</b>	<b>152,476</b>	132,692
Defined benefit pension scheme liability		7,137	0	0	7,137	6,362
<b>Net assets including pension liability</b>		<b>139,435</b>	<b>5,431</b>	<b>473</b>	<b>145,339</b>	126,330
<b>The funds of the charity:</b>						
<b>Represented by income funds</b>						
Unrestricted fund	20	11,168	0	0	11,168	7,033
Restricted fund		0	1,048	0	1,048	1,675

	Note	Unrestricted funds £000s	Restricted funds £000s	Endowment funds £000s	Total 31 March 2014 £000s	Restated 31 March 2013 £000s
<b>Represented by capital funds</b>						
Endowment funds	20	0	0	473	473	0
Designated fund		129,904	0	0	129,904	114,704
Donated asset reserve		0	4,383	0	4,383	4,132
Capital reserve		5,500	0	0	5,500	5,148
Pension reserve		(7,137)	0	0	(7,137)	(6,362)
		<b>139,435</b>	<b>5,431</b>	<b>473</b>	<b>145,339</b>	126,330

The notes on pages 82 to 109 form part of these accounts.

<b>Alan Davey</b> Chief Executive 26 June 2014	<b>Sir Peter Bazalgette</b> Chair 26 June 2014
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### Cash flow statement for the year ended 31 March 2014

	Note	2013/14 £000s	2012/13 £000s
<b>Operating activities</b>			
Funds received from the Department for Culture, Media and Sport		458,695	469,227
Other cash receipts		2,921	7,059
Grants paid to arts organisations and other bodies		(436,375)	(442,390)
Cash paid to and on behalf of employees		(18,791)	(25,475)
Other cash payments		(3,929)	(3,787)
<b>Net cash inflow from operating activities</b>	21	<b>2,521</b>	4,634
Interest received on short-term cash deposits		73	70
Dividends received		11	0
<b>Net cash inflow from returns on investments</b>		<b>84</b>	70
<b>Capital expenditure and financial investment</b>			
Endowment income		(473)	0
Purchase of tangible fixed assets		(2,618)	(1,113)
<b>Net cash (outflow) from capital expenditure</b>		<b>(3,091)</b>	(1,113)
<b>(Decrease)/increase in cash</b>	22/23	<b>(486)</b>	3,591

This cash flow statement has been prepared using the direct method.

The notes on pages 82 to 109 form part of these accounts.

## Notes to the Grant-in-Aid accounts

### 1 Accounting policies

#### 1a Basis of accounts

We have prepared these accounts in accordance with the Accounts Direction issued by the Secretary of State for Culture, Media and Sport in May 2002. They meet the requirements of the Companies Acts, and of the Statements of Standard Accounting Practice/Financial Reporting Standards issued and adopted by the Accounting Standards Board, so far as those requirements are appropriate. The accounts are presented in accordance with the Statement of Recommended Practice (SORP) issued by the Charity Commission in 2005.

The accounts are prepared on a going concern basis and a historic cost basis. The Accounts Direction requires the inclusion of fixed assets at their value to the business by reference to current costs. However, for 2013/14, the values of fixed assets expressed in current cost terms, with the exception of the works of art collection and freehold land and buildings, are not materially different to historic costs. Therefore these fixed assets are shown at historic cost on the balance sheet.

Freehold land and buildings are generally revalued every five years to current market value, however as there is only one freehold building remaining which is currently on the market, it has been included at the net realisable value on the balance sheet. The net realisable value has been derived from an offer received and accepted, subject to contract.

Separate accounts have been prepared for Arts Council England's Lottery distribution accounts, in accordance with the directions issued by the Secretary of State, which follow different accounting policies. Grant commitments are recognised in the Lottery distribution accounts, once grant offers are accepted. Grant commitments in the Grant-in-Aid accounts are recognised when the offer is issued. Consequently, in the opinion of the Trustees, it is not possible to prepare full consolidated accounts covering both Grant-in-Aid and Lottery activities as it would not provide a fair view of the application of Arts Council England's resources. In this respect, we have not been able to comply with paragraph 381 of the SORP issued by the Charity Commission in 2005. However, we have included a summary of the consolidated figures for our combined activities and an estimate of the impact of the change in accounting policy on the Lottery accounts in the management commentary on page 72.

During 2013/14 we fully owned a subsidiary company, ArtCo Trading Limited, as detailed in note 27 to the accounts. We do not consider that the activities undertaken

by this company during 2013/14 were material enough to require us to produce separate consolidated accounts, therefore the Grant-in-Aid accounts include this subsidiary company's assets and liabilities.

During 2013/14 we jointly set up a community interest company, The Space CIC with the BBC. The activities undertaken by this company during 2013/14 were not material enough to require us to produce separate consolidated accounts, therefore the Grant-in-Aid accounts do not include Arts Council England's share of this joint arrangement's assets and liabilities.

#### 1b Incoming resources

Grant-in-Aid from the Department for Culture, Media and Sport is taken to the statement of financial activities in the year to which it relates. All other income is accounted for on a receivable basis.

#### 1c Expenditure

Grant expenditure is charged to the statement of financial activities in the year in which funded activities take place. Any amounts unpaid from grants at the year end are shown in the balance sheet as creditors. Grant commitments made in the year relating to future years' activity as disclosed in note 15 of the accounts are not charged to the statement of financial activities, as we cannot recognise Grant-in-Aid income to match against these commitments before we have received it. In this respect, we have not been able to comply with paragraph 159 of the SORP issued by the Charity Commission in 2005. The Trustees do not believe this would provide a true and fair view of Arts Council England's resources. Any advance payments to funded organisations in anticipation of grants to be charged in the following financial year are shown as assets in the balance sheet.

Expenditure classified as activities undertaken directly relates to expenditure supporting the arts other than grants. This includes the cost of delivering major arts policies and projects. Support costs comprise operational expenditure, including staff costs, directly attributable to charitable activities.

Governance costs comprise an apportionment of general administration expenditure based on an estimate of staff time and direct costs such as the cost of administering National Council and external and internal audit.

#### 1d Depreciation and fixed assets

*Tangible fixed assets excluding heritage assets*  
 Depreciation is provided on all tangible fixed assets (excluding freehold land) at rates calculated to write

off the cost less estimated residual value of each asset systematically over its expected useful life as follows:

- freehold buildings: 50 years
- leasehold buildings: life of the lease
- fixtures and fittings: five years
- motor vehicles: five years

A full year's depreciation is provided in the year of an asset's acquisition, and none in the year of its disposal. Software costs are written off in full in the year of acquisition. All individual assets valued greater than £2,000 are capitalised.

#### *Heritage assets*

Arts Council England is guardian and trustee over three collections of heritage assets which are held in furtherance of our mission to champion, develop and invest in artistic and cultural experiences that enrich people's lives. The collections are accounted for as follows:

#### *Works of art*

The works of art collection is revalued at market value on a rolling basis, with the highest value items revalued once every five years. The collection is treated as a non-operational heritage asset and is not held for the purpose of re-sale. Any surplus or deficit on revaluation is reported in the statement of financial activities. The items in the collection are deemed to have indeterminate lives, so the Trustees do not consider it appropriate to charge depreciation. Additions to the collection are made by purchase or donation. Purchases are initially recorded at cost and donations are recorded at current value ascertained by the curator with reference to current knowledge of prices, the market and the advice of other experts where necessary.

#### *Poetry collection and film collection*

The Trustees do not consider that reliable cost or valuation information can be obtained for the poetry collection and film collection. This is because of the diverse nature of assets held and the lack of comparable market values. Arts Council England therefore does not recognise these assets as heritage assets on the balance sheet.

The decision to transfer these collections was taken by National Council in May 2013. On 13 February 2014 the film collection was successfully transferred to the British Film Institute. Discussions are still under way around transferring the poetry collection to the Southbank Centre.

#### 1e Leases

Costs in respect of operating leases are charged to the statement of financial activities on a straight line basis over

the life of the lease. Lease incentives (eg rent free periods) are recognised as an integral part of the total lease expense, over the term of the lease.

#### 1f Taxation

Arts Council England, as a registered charity (1036733), is considered to pass the tests set out in paragraph 1 schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable trust for UK income tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by part 10 Income Tax Act 2007 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. No tax charge has arisen in the year.

#### 1g Pensions

We provide a defined benefit pension scheme for our employees (the Arts Council Retirement Plan 1994) and are a participating employer in the West Yorkshire Pension Fund. The Arts Council Retirement Plan is a multi-employer scheme and we cannot identify our share of the underlying assets and liabilities. We have therefore accounted for this scheme as if it was a defined contribution scheme, in accordance with FRS17 *Retirement Benefits*, with the costs of the scheme charged to the statement of financial activities. The West Yorkshire Pension Fund is also a multi-employer scheme, but, as a Local Government Pension Scheme, we are able to identify our share of the underlying assets and liabilities and have therefore accounted for this scheme in line with FRS17 *Retirement Benefits*.

The law on workplace pensions has changed and every employer must automatically enrol its staff onto a workplace pension scheme. In order to meet these requirements, we now also provide a defined contribution scheme for staff who are automatically enrolled (via the Peoples Pension). Arts Council England's staging date was 1 November 2013 but we chose to postpone automatic enrolment by three months to 1 January 2014.

#### 1h Apportioned costs

Arts Council England incurs indirect costs which are shared between activities funded from Grant-in-Aid and activities funded from the National Lottery. We are required to apportion indirect costs properly between the two areas on a full cost basis in accordance with good accounting practice.

The notes to the statement of financial activities are shown before costs apportioned to Arts Council England Lottery distribution accounts.

1 Review of the year	The report of the Comptroller and Auditor
2 Highlighted information	General to the Trustees of Arts Council England
3 <b>Grant-in-Aid accounts</b>	Statement of financial activities
4 Lottery distribution accounts	Balance sheet
5 National Lottery report	Cash flow statement
	<b>Notes to the Grant-in-Aid accounts</b>

## Notes to the Grant-in-Aid accounts

In accordance with the SORP 2005 we have apportioned support costs between our different activities. We have apportioned costs on a combination of the number and value of payments made as a proxy for estimating the amount of staff time spent on each activity. This year we calculated the recharge on a monthly basis as a simple average, rather than as an annual charge to better reflect the activities undertaken.

### 1i Change in accounting policy

In previous financial statements the West Yorkshire Pension Fund has been accounted for as a defined contribution scheme under FRS17 *Retirement Benefits*. As the actuary is able to identify our share of assets and liabilities in respect of this fund we have accounted for it as a defined benefit scheme as set out in FRS17 *Retirement Benefits*.

This amounts to a change in accounting policy and has been disclosed as a prior period adjustment and the adjustments are disclosed as follows:

#### Prior period adjustment

Balance brought forward as previously stated 1 April 2012	122,402
Prior year adjustment (see note 7)	(5,224)
Balance brought forward at 1 April 2012 as restated	117,178
Net movement in funds 2012/13 as previously stated	10,290
Prior year adjustment (see note 7) 2012/13	(1,138)
Balance brought forward at 1 April 2013 as restated	126,330
Net movement in funds 2013/14	19,009
Balance carried forward at 31 March 2014	145,339

The changes affect the comparative figures which then affect the balances brought forward for the year. All prior year comparators have been restated to provide an effective comparison.

### 1j Financial instruments

We have adopted FRS 25, 26 and 29 on financial instruments.

## 2 Voluntary and investment income

2a Voluntary income	Unrestricted funds £000s	Restricted funds £000s	Endowment funds £000s	Total 2013/14 £000s	Total 2012/13 £000s
<b>Voluntary income</b>					
Cash Grant-in-Aid voted by Parliament and paid in full					
Core funding – revenue	354,222	0	0	354,222	349,496
Administration	21,224	0	0	21,224	28,378
Core capital	2,459	0	0	2,459	19,872
Ringfenced funds	0	82,816	0	82,816	71,481
	<b>377,905</b>	<b>82,816</b>	<b>0</b>	<b>460,721</b>	469,227
<b>Other voluntary income</b>					
Donations/bequests	0	0	438	438	0
<b>Total voluntary income</b>	<b>377,905</b>	<b>82,816</b>	<b>438</b>	<b>461,159</b>	469,227

### 2b Investment income

	Unrestricted funds £000s	Restricted funds £000s	Endowment funds £000s	Total 2013/14 £000s	Total 2012/13 £000s
<b>Investment income</b>					
Bank interest received	73	0	0	73	70
Dividend income	0	0	11	11	0
<b>Total investment income</b>	<b>73</b>	<b>0</b>	<b>11</b>	<b>84</b>	70

### 3 Incoming resources from charitable activities

	Unrestricted funds £000s	Restricted funds £000s	Total 2013/14 £000s	Total 2012/13 £000s
<b>Grants, sponsorship and donations received</b>				
Other central Government bodies	67	300	367	461
Public corporations	0	171	171	101
Non-government bodies	0	(61)	(61)	2,937
Other grants, sponsorship and donations	(21)	374	353	1,005
Local authorities	0	0	0	49
Sundry	145	37	182	133
<b>Net incoming resources for the year</b>	<b>191</b>	<b>821</b>	<b>1,012</b>	4,686

Grants, sponsorship and donations are analysed as follows:

#### Other central Government bodies

ArtCo Trading Limited	7	0	7	(10)
Arts Council of Northern Ireland	0	0	0	337
Arts Council of Wales	0	0	0	(1)
Big Lottery Fund	60	0	60	0
Department of Communities and Local Government	0	300	300	0
North West Development Agency	0	0	0	56
South West Regional Development Agency	0	0	0	70
Other	0	0	0	9
	<b>67</b>	<b>300</b>	<b>367</b>	461

#### Public corporations

The British Council	0	171	171	101
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#### Non-government bodies

Legacy Trust UK	0	(61)	(61)	2,902
The Art Fund	0	0	0	30
Henry Moore Foundation	0	0	0	5
	<b>0</b>	<b>(61)</b>	<b>(61)</b>	2,937

#### Other grants, sponsorship and donations

	(21)	374	353	1,005
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## Notes to the Grant-in-Aid accounts

4a Charitable activities	Activities undertaken directly £000s	Grant funding of activities £000s	Net support costs £000s	Total 2013/14 £000s	Restated 2012/13 £000s
National portfolio organisations	0	311,209	5,095	316,304	317,932
Grants for the arts	0	32	0	32	10
Strategic development, communications and advocacy	2,013	56,412	5,208	63,633	83,904
Other	591	72,473	4,698	77,762	66,473
Lapsed and revoked commitments	0	(615)	0	(615)	(2,234)
	<b>2,604</b>	<b>439,511</b>	<b>15,001</b>	<b>457,116</b>	466,085

National portfolio organisations are those organisations of strategic importance with which the Arts Council has long term, multi-year funding agreements. Strategic funding and activities are those specific projects funded by grants and direct arts expenditure. They provide essential leverage for national, regional and local partnerships, and act as investment in seed funding, research and development for the arts in England.

Other restricted funds are those specific projects delivered through funds provided by partners as detailed in notes 2a and 3. In 2013/14 they include the sum of £63,442,000 (2012/13: £50,052,000) towards Music education hubs.

4b Analysis of grant funding by area	National portfolio organisations £000s	Other £000s	Total 2013/14 £000s	Total 2012/13 £000s
South East	25,827	300	26,127	27,993
South West	14,622	590	15,212	14,910
Midlands	50,512	988	51,500	53,389
London	155,792	2,019	157,811	162,928
North	64,456	1,057	65,513	67,911
National	0	123,963	123,963	113,175
	<b>311,209</b>	<b>128,917</b>	<b>440,126</b>	440,306

As part of the organisation review, the geographical structure has changed. We have therefore amended the prior period comparator to reflect what it would have been had we always reported in these areas.

4c Analysis of grants by recipient	Grants to institutions £000s	Grants to individuals £000s	Total 2013/14 £000s	Total 2012/13 £000s
National portfolio organisations	311,209	0	311,209	310,371
Grants for the arts	24	8	32	10
Strategic funding and activity	56,344	68	56,412	67,627
Other restricted funds	72,268	205	72,473	62,298
	<b>439,845</b>	<b>281</b>	<b>440,126</b>	440,306

4d Analysis of support costs	Unrestricted £000s	Less charged to lottery £000s	Total 2013/14 £000s	Restated 2012/13 £000s
Staff costs	16,757	(8,272)	8,485	12,724
Agency staff costs	462	(223)	239	334
Depreciation	1,923	(913)	1,010	1,240
Travelling, subsistence and entertainment	1,302	(645)	657	929
Rent and rates	3,564	(1,719)	1,845	1,826
Professional fees	624	(375)	249	438
Office and sundry	2,979	(1,510)	1,469	2,183
Irrecoverable Value Added Tax	1,106	(537)	569	1,228
IT project costs	911	(433)	478	0
	<b>29,628</b>	<b>(14,627)</b>	<b>15,001</b>	20,902
Corporate governance costs*	859	(408)	451	740
	<b>30,487</b>	<b>(15,035)</b>	<b>15,452</b>	21,642

\* Corporate governance costs includes costs from the headings above

1 Review of the year	The report of the Comptroller and Auditor
2 Highlighted information	General to the Trustees of Arts Council England
3 <b>Grant-in-Aid accounts</b>	Statement of financial activities
4 Lottery distribution accounts	Balance sheet
5 National Lottery report	Cash flow statement
	<b>Notes to the Grant-in-Aid accounts</b>

## Notes to the Grant-in-Aid accounts

### 4e Analysis of support costs by area of expenditure

Costs are allocated between programmes based on an activity analysis completed by each office detailing the estimated time spent by all staff on each of the programmes funded from Grant-in-Aid. This includes analysis of time spent on corporate governance activities where relevant. The proportion of support costs chargeable to the Lottery distribution accounts is based on the proportion of payments made for Lottery funded programmes. Corporate governance costs are defined as those costs which relate to the general running of the Arts Council rather than direct management functions, providing the governance infrastructure allowing the Arts Council through National Council to operate.

	Unrestricted £000s	Less charged to lottery £000s	Total 2013/14 £000s	Restated 2012/13 £000s
<b>Direct support costs to front line delivery</b>				
Regional delivery	11,314	(5,469)	5,845	8,043
Advocacy and communications	2,038	(968)	1,070	1,331
Arts strategy and research	2,230	(1,059)	1,171	1,200
Investment and information management	1,215	(577)	638	1,027
Museums and libraries	0	0	0	1,384
	<b>16,797</b>	<b>(8,073)</b>	<b>8,724</b>	12,985
<b>Management and administration</b>				
Finance	1,015	(482)	533	522
Human resources	924	(439)	485	1,106
IT	2,676	(1,271)	1,405	2,319
IT projects	911	(433)	478	0
Property, procurement and legal services	4,357	(2,067)	2,290	2,589
Corporate governance	859	(408)	451	740
Other costs including management costs	2,948	(1,862)	1,086	1,381
	<b>13,690</b>	<b>(6,962)</b>	<b>6,728</b>	8,657
<b>Total support costs</b>	<b>30,487</b>	<b>(15,035)</b>	<b>15,452</b>	21,642

As part of the organisation review, museums and libraries functions have been subsumed within the general management of Arts Council England.

5a Staff costs	Total 2013/14 £000s	Total 2012/13 £000s
<b>Staff costs comprise:</b>		
Salaries and wages	14,782	19,748
Employer's National Insurance	1,255	1,542
Employer's pension contributions	2,553	3,263
Agency staff	545	922
	<b>19,135</b>	25,475

| |

Included within salaries and wages are amounts recharged to the Lottery distribution accounts of £8,503,000 (2012/13: £7,342,000) and redundancy costs which fell due during the year of £227,000 (2012/13: £1,578,000). These costs arose following the closure of programmes and other contractual payments falling due for those leaving the organisation. Staff costs also include £1,138,054 (2012/13: £2,119,000) for staff involved in direct delivery of programmes. They are included in activities undertaken directly in note 4.

The average number of full time equivalent employees during the year was made up as follows:

	Permanent staff	Agency staff	Total 2013/14	Total 2012/13
Direct delivery of programmes	22	2	24	46
Support and corporate governance	371	18	389	485
	<b>393</b>	<b>20</b>	<b>413</b>	531

The average number of employees (headcount) during the year was made up as follows:

	Permanent staff	Agency staff	Total 2013/14	Total 2012/13
Direct delivery of programmes	24	3	27	47
Support and corporate governance	419	23	442	546
	<b>443</b>	<b>26</b>	<b>469</b>	593

### 5b Emoluments by bands

The number of employees whose remuneration, including redundancy pay, exceeded £60,000 for the year is detailed below. These figures do not include executive directors who are listed in the Remuneration Report.

Emoluments for the year	Defined benefit pension	2013/14	2012/13
£60,000–£69,999	20	20	17
£70,000–£79,999	9	9	11
£80,000–£89,999	4	4	1
£90,000–£99,999	1	1	1
£110,000–£119,999	2	2	2
£120,000–£129,999	1	1	0
£130,000–£139,999	1	1	0
£140,000–£149,999	2	2	0

Of these employees in 2013/14, 27 received redundancy payments and 40 were in a final salary pension scheme for which the employer's contributions during the year amounted to £263,448.

1	Review of the year	The report of the Comptroller and Auditor
2	Highlighted information	General to the Trustees of Arts Council England
3	<b>Grant-in-Aid accounts</b>	Statement of financial activities
4	Lottery distribution accounts	Balance sheet
5	National Lottery report	Cash flow statement
		<b>Notes to the Grant-in-Aid accounts</b>

## Notes to the Grant-in-Aid accounts

### 5c Compensation schemes – exit packages

Exit package cost band 2013/14	Number of compulsory redundancies	Total exit packages during 2013/14
< £9,999	46	46
£10,000 – £24,999	43	43
£25,000 – £49,999	43	43
£50,000 – £99,999	16	16
£100,000 – £149,999	4	4
<b>Total number of exit packages by type</b>	<b>152</b>	<b>152</b>
Total resource cost £000	<b>3,916</b>	<b>3,916</b>

Exit package cost band 2012/13	Number of compulsory redundancies	Total exit packages during 2012/13
< £9,999	13	13
£10,000 – £24,999	6	6
£25,000 – £49,999	10	10
£50,000 – £99,999	3	3
£100,000 – £149,999	0	0
<b>Total number of exit packages by type</b>	<b>32</b>	<b>32</b>
Total resource cost £000	<b>696</b>	<b>696</b>

Redundancy and other departure costs have been paid in accordance with the provisions of the Arts Council's job security policy. The Arts Council pays exit costs when employment ends but provides for exit costs at the point when there is sufficiently detailed information to do so. Where early retirements have taken place, the additional pension costs are met by the Arts Council and not by the pension scheme providers.

### 6 Council members' expenses

It is part of Council members' duties to assess artistic work. The cost of their tickets for attendance at performance and events is met by the Arts Council. In 2013/14, the total cost of tickets purchased for this purpose was £2,272 (2012/13: £2,647). All our Council members are able to claim back their travel and subsistence costs. The total amount reimbursed in the year is shown in note 8.

### 7 Pensions

We are a participating employer in the Arts Council Retirement Plan (1994) and the West Yorkshire Pension Fund and also contribute to a group personal pension arrangement.

#### Arts Council Retirement Plan (1994)

The scheme is a defined benefit scheme. Other employers contributing to the scheme are the Arts Council of Wales, Creative Scotland, the Crafts Council and Creativity, Culture and Education. Because it is a multi-employer scheme, we are unable to identify our share of the underlying assets and liabilities. Consequently, we have accounted for the scheme as if it were a defined contribution scheme, in accordance with FRS17 *Retirement Benefits*.

The scheme is financed by payments made by Arts Council England and employees into a trustee-administered fund independent of Arts Council England's finances. These contributions are invested by a leading fund management company. The net market value of the scheme's assets at 31 March 2013 was £98.7 million.

An actuarial valuation of the pension fund takes place at least every three years. At the last valuation on 31 March 2013 the actuarial value of the assets using the projected unit method was sufficient to cover 77.8 per cent of the value accrued to members, a deficit of £28,100,000. As a result, and on the advice of the actuary, with effect from 1 April 2014 we will be paying employer's contributions of 16.6 per cent of pensionable salary for Arts Council England employees and 21.9 per cent of pensionable salary for employees who transferred to Arts Council England from museums and libraries, as well as a cash contribution of £647,000 per annum until 2023.

The main long-term assumptions used for the actuarial valuation were as follows:

Consumer price inflation rate	2.6%
Long term rate of pay increases	3.3%
Short term rate of pay increases	1.3%
Rate of pension increases	2.6%

Amounts due to the fund at 31 March 2014 were £15,634 (31 March 2013: £nil).

#### West Yorkshire Pension Fund

We are an admitted member of the West Yorkshire Pension Fund. This Fund provides pensions to over 246,000 members in 311 mainly local government organisations. In the year ending 31 March 2014, nine Arts Council staff participated in the scheme. The scheme is a defined benefit scheme and is accounted for in accordance with FRS17 *Retirement Benefits*.

The disclosures below relate to the funded liabilities within the West Yorkshire Pension Fund (the "Fund") which is part of the Local Government Pension Scheme (the "LGPS"). The funded nature of the LGPS requires The Arts Council of England and its employees to pay contributions into the Fund, calculated at a level intended to balance the pensions liabilities with investment assets.

#### Assumptions

The latest actuarial valuation of The Arts Council of England's liabilities took place as at 31 March 2013. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principal assumptions used by the actuary in updating the latest valuation of the Fund for FRS 17 purposes were:



## Notes to the Grant-in-Aid accounts

### Principal financial assumptions (per cent per annum)

	31 March 2014	31 March 2013	31 March 2012
Discount rate	4.3	4.4	4.8
RPI Inflation	3.4	3.4	3.3
CPI Inflation	2.4	2.4	2.3
Rate of increase to pensions in payment*	2.4	2.4	2.3
Rate of increase to deferred pensions	2.4	2.4	2.3
Rate of general increase in salaries **	3.9	3.9	3.8

\* In excess of Guaranteed Minimum Pension increases in payment where appropriate

\*\* In addition, allowance is made for the same age related promotional salary scales as used at the actuarial valuation of the Fund as at 31 March 2013.

#### Expected return on assets

The approximate split of assets for the Fund as a whole (based on data supplied by the Fund Administering Authority) is shown in the table below. Also shown are the assumed rates of return adopted by the Employer for the purposes of FRS 17.

	Long- term expected rate of return at 31 March 2014		Long- term expected rate of return at 31 March 2013		Long- term expected rate of return at 31 March 2012	
	(% pa) *	Asset split at 31 March 2014 (%)	(% pa) *	Asset split at 31 March 2013 (%)	(% pa) *	Asset split at 31 March 2012 (%)
Equities	7.6	75.3	7.8	72.5	8.1	71.1
Property	6.9	3.2	7.3	3.1	7.6	3.6
Government bonds	3.4	10.5	2.8	11.9	3.1	12.6
Corporate bonds	4.0	5.4	3.8	5.7	3.7	5.4
Cash	0.9	3.1	0.9	3.6	1.8	2.8
Other**	7.6	2.5	7.8	3.2	8.1	4.5
<b>Total</b>	<b>6.7</b>	<b>100.0</b>	<b>6.7</b>	<b>100.0</b>	<b>7.0</b>	<b>100.0</b>

\* The overall expected rate of return on Fund assets is a weighted average of the individual expected rates of return on each asset class, and is shown in the bottom row of the above table.

\*\* Other holdings may include hedge funds, currency holdings, asset allocation futures and other financial instruments. It is assumed that these investments will get a return in line with equities.

The Arts Council of England employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2014.

### Reconciliation of funded status to balance sheet

	Value as at 31 March 2014 £M's	Value as at 31 March 2013 £M's	Value as at 31 March 2012 £M's
Fair value of assets	26.337	25.726	21.795
Present value of funded liabilities	33.474	32.088	27.019
Pension liability recognised on the balance sheet	(7.137)	(6.362)	(5.224)

### Analysis of the charge to the statement of financial activities

	Period ending 31 March 2014 £M's	Period ending 31 March 2013 £M's
Current service cost	0.117	0.206
Past service cost	0.134	0.000
Interest cost	1.398	1.316
Expected return on assets	(1.705)	(1.554)
Expense recognised	(0.056)	(0.032)

### Analysis of amounts recognised under "Other recognised gains/ (losses)" on the statement of financial activities

	Period ending 31 March 2014 £M's	Period ending 31 March 2013 £M's
Total actuarial losses recognised	(1.090)	(1.400)

### Changes to the present value of liabilities during the accounting period

	Period ending 31 March 2014 £M's	Period ending 31 March 2013 £M's
Opening present value of liabilities	32.088	27.019
Current service cost	0.117	0.206
Interest cost	1.398	1.316
Contributions by participants	0.036	0.069
Actuarial losses on liabilities *	0.604	2.946
Net benefits paid out #	(0.903)	0.532
Past service cost	0.134	0.000
<b>Closing present value of liabilities</b>	<b>33.474</b>	<b>32.088</b>

\* Includes changes to the actuarial assumptions.

# Consists of net benefits cash-flow out of the fund in respect of the employer, including an approximate allowance for the expected cost of death in service lump sums.

## Notes to the Grant-in-Aid accounts

### Changes to the fair value of assets during the accounting period

	Period ending 31 March 2014 £M's	Period ending 31 March 2013 £M's
Opening fair value of assets	25.726	21.795
Expected return on assets	1.705	1.554
Actuarial (losses)/gains / on assets	(0.486)	1.546
Contributions by the employer	0.259	0.230
Contributions by participants	0.036	0.069
Net benefits paid out #	(0.903)	0.532
Closing fair value of assets	26.337	25.726

# Consists of net benefits cash-flow out of the Fund in respect of the Employer, including an approximate allowance for the expected cost of death in service lump sums.

The results of the triennial actuarial valuation of the Fund as at 31 March 2013 have been used to calculate the Arts Council England's accounting figures over the period ending 31 March 2013 and 31 March 2014.

The 2013 valuation results included the transferred liabilities for 49 active members who transferred from the former Arts Boards but made no allowance for any bulk transfer payments to or from Greater Manchester (25 members), Surrey (11 members) or Staffordshire (13 members) Pension Funds.

How the transfer payments should be calculated is still under discussion between those Funds, the West Yorkshire Pension Fund and Arts Council England. The actuary has made no allowance for any transfer payments in our disclosures.

We have, however, made allowance for the bulk transfers in relation to the other 131 members that transferred from the former Arts Boards at the same time.

Amounts due to the fund at 31 March 2014 were £nil (31 March 2013: £nil).

### Legacy Regional Arts Board pension schemes

All active Regional Arts Board pension members, except those from London Arts, transferred to the West Yorkshire Pension fund on 1 April 2002. However, the deferred and pensioner members remained with their legacy pension provider as detailed below:

East England Arts	Cambridgeshire Council
East Midlands Arts	Nottingham Council
Northern Arts	Tyne & Wear Pension Fund
North West Arts	Greater Manchester Pension Fund
Southern Arts	Hampshire Pensions Trust
South East Arts	Surrey Council
South West Arts	Devon Council
West Midlands Arts	Staffordshire County Council
Yorkshire Arts	Remained in West Yorkshire Pension Fund

Arts Council England did not believe it was responsible for meeting any further liabilities relating to Regional Arts Board employees in respect of these funds following lump sum payments to four schemes. However, three other funds have indicated during 2013/14 that liabilities exist in respect of the deferred pensioner members that they retained within their respective funds. Following specialist legal advice Arts Council England has asked the funds to provide documentary evidence that it is liable. No provision has been made in these accounts for potential sums payable, because of the uncertain nature of these liabilities.

## Notes to the Grant-in-Aid accounts

### 8 Net incoming resources for the year

Net incoming resources of £4,400,196 (2013/14 £813,000) are stated after charging:

	2013/14 £000s	2012/13 £000s
Auditors' remuneration	64	64
Operating leases	3,298	3,011
Council members' travel, subsistence and hospitality for the 21 serving members during the year	29	28
Insurance: Trustees' and senior officers' indemnity	10	10
Depreciation	1,329	4,166
Impairment	594	0

### 9 Heritage assets and tangible fixed assets

	Buildings and leasehold improvements £000s	Equipment, fixtures and fittings £000s	Heritage assets: works of art £000s	Total £000s
Costs at 1 April 2013	15,824	5,379	118,559	139,762
Additions	2,204	75	341	2,620
Revaluations	0	0	15,387	15,387
Less: disposals	(3,000)	(2,181)	0	(5,181)
<b>Cost or valuation at 31 March 2014</b>	<b>15,028</b>	<b>3,273</b>	<b>134,287</b>	<b>152,588</b>
Depreciation at 1 April 2013	11,472	4,583	0	16,055
Less: depreciation on disposals	(3,000)	(2,177)	0	(5,177)
Impairment depreciation	594	0	0	594
Provided for 2013/14	918	411	0	1,329
<b>Depreciation at 31 March 2014</b>	<b>9,984</b>	<b>2,817</b>	<b>0</b>	<b>12,801</b>
<b>Net book value at 31 March 2014</b>	<b>5,044</b>	<b>456</b>	<b>134,287</b>	<b>139,787</b>
Net book value at 31 March 2013	4,351	798	118,558	123,707

	31 March 2014 £000s	31 March 2013 £000s
Freehold	495	764
Leasehold improvements	4,549	3,587
	<b>5,044</b>	4,351

The Arts Council holds a works of art and poetry collection and these are managed by the Southbank Centre on our behalf. During 2013/14 the Arts Council also held a film collection which was managed in-house. This was transferred to the British Film Institute with effect from February 2014. We are required to make specific disclosures in relation to the collections we hold and these follow separately for each collection.

#### Works of art – Arts Council Collection

The works of art collection has been built up since 1946 and consisted of 7,697 items at 31 March 2014. The purpose of the collection is to broaden the appreciation and public awareness of contemporary British art and to encourage good practice relating to painting, sculpture, photography, drawing, printmaking, mixed and new media, film and video. The collection is based in London and at Longside in Yorkshire (located at the Yorkshire Sculpture Park). The collection is managed on our behalf by the Southbank Centre through the Hayward Gallery.

#### Valuation

The collection has been valued by the curator of the collection at £134,287,009 at 31 March 2014 (31 March 2013: £118,559,000). Valuation of the collection is undertaken on a rolling programme using current knowledge of prices, the market and, where necessary, the curator seeks the advice of other experts. The policy is that works of exceptionally high value are valued once every five years as are items that are on long term loan. All items are valued when loans are agreed as this provides the value for which the lender has to insure the item. A register of works is maintained by the Senior Curator of the collection which is amended to reflect acquisitions and items removed from the register, such as pieces damaged beyond repair, throughout the year and records the year end valuation figure. The register supports the entries in the Arts Council's annual accounts and is provided to the auditors for review.

#### Acquisition and disposal policy

The collection purchases innovative work by artists living in Britain with a focus on the work of younger and emerging artists. Acquisitions are made through the Acquisitions Committee comprising six individuals who are the Head of the Arts Council Collection, Director of the Hayward Gallery, Senior Curator of the Arts Council Collection and Senior Strategy Officer, Visual Arts, Arts Council England, plus external advisers who are usually an artist, a writer and a curator. The external advisers to the committee are appointed for a fixed two year tenure. Artists make an application to have their work considered for acquisition. To be eligible artists must live in Britain, cannot

be students and have to be able to demonstrate their commitment over several years by providing information about the exhibitions of their work that have taken place and are planned. The acquisitions are funded from an allocation within the Arts Council England budget.

Any offers of gifts to the collection are brought to the attention of the Acquisitions Committee which decides on their suitability. Larger donations are considered by the Chief Executives of both Arts Council England and Hayward Gallery/Southbank Centre.

The procedure for the loss or destruction of works of art is implemented if an item is irretrievably lost or damaged beyond repair. This requires the Head of the Arts Council Collection to report details to the Director of the Hayward Gallery and Director, Visual Arts, of the Arts Council who then seeks approval from the Arts Council England Visual Arts Panel to write off the item. The write off in accounting records is implemented by the Director Finance of Arts Council England who takes into account any insurance claims. Funds claimed in this way are paid into the Arts Council Collection acquisition allocation and earmarked to replace the lost items depending on the advice of the current purchasers. If it is not possible to replace a work because the artist is deceased, there are no suitable replacements or equivalent works have become too expensive, the funds are transferred into the acquisition fund.

#### Preservation

The condition of the works is checked on receipt, before going out on loan and on return from loan. Master condition files are maintained and kept at the Hayward Gallery and Longside (for sculpture) and copies of the latest version are made when loans go out. Normally required restoration is carried out at the Hayward Gallery or arranged by them. Any unfitting of frames or restoration carried out away from the Hayward Gallery must be authorised by the Head of the Collection to the Senior Curator. Artists are consulted and involved in restoration when possible and practical, otherwise qualified conservators are employed. Each year a number of original works on paper and photographs are restored as a matter of course. All restoration is reported annually to the Arts Council England Visual Arts Panel.

#### Collection management

The Head of the Arts Council Collection reports to the Director of the Hayward Gallery and is responsible to the Director, Visual Arts, at Arts Council England. Arts Council Collection staff salaries (London) are paid by the Southbank Centre from the grant from Arts Council

## Notes to the Grant-in-Aid accounts

England to the Southbank Centre as part of the Hayward Gallery budget. A ring-fenced fund within the Southbank Centre and Arts Council England agreement covers the rental, staff and operational costs of the Longside Gallery.

### Access

Public access to the works of art is achieved through items being part of the extensive Hayward Gallery Touring exhibitions and being loaned to other institutions and galleries both at home and abroad. Priority is given to national needs. An exciting project was undertaken to widen access by providing digital access to the collection. The project was been split into two parts and the first part consists of two phases. The first phase covers paintings and drawings and was completed in 2011. The second phase covering three dimensional sculpture and installations was started in 2012. The second part is a digital editorial pilot started in the summer of 2011 to develop a prototype on how the collection can be promoted online. A dedicated website, [artscouncilcollection.org.uk](http://artscouncilcollection.org.uk), provides a range of information including where items from the collection are on exhibition and photographs of recent acquisitions with brief information about the artist and item.

The Arts Council works of art collection heritage assets are reported at valuation in the table below:

	2013/14	2012/13	2011/12	2010/11	2009/10
	£000s	£000s	£000s	£000s	£000s
Cost or valuation at 1 April	<b>118,559</b>	108,684	101,778	96,966	91,081
Additions	<b>180</b>	398	335	418	327
Donations	<b>161</b>	336	68	0	0
Revaluations	<b>15,387</b>	9,141	6,543	4,394	5,558
Less: impairment	<b>0</b>	0	(1)	0	0
Less: disposal	<b>0</b>	0	(39)	0	0
Cost or valuation at 31 March	<b>134,287</b>	118,559	108,684	101,778	96,966

### Poetry collection

The Poetry Collection was started in 1953 and now consists of over 200,000 items of 20th and 21st century poetry from 1912. The collection is held in a variety of formats: books, pamphlets, audio cassettes, CDs, videos and DVDs for reference and loan, magazines, press cuttings, photographs, posters and postcards for reference. The Poetry Library promotes the reading of poetry for people of all ages, cultures and backgrounds. The aim is that the collection holds all poetry published since 1912 in the UK. The collection is housed at The Saison Poetry Library located at the Southbank Centre.

### Valuation

A valuation of the Poetry Collection is not included on the balance sheet due to the difficulty in obtaining an accurate valuation. Advice has been sought from the current librarians of the collection and they have concurred with previous advice that there is no ready market in the materials held that would enable a meaningful valuation to be made. Furthermore the collection is made up of a large number of disparate items and would require, even if there were a reliable basis for a valuation, a significant input of resource which is not considered to be feasible. The amount spent on acquisitions during 2013/14 was £33,431 (2012/13: £30,016).

### Acquisition and disposal policy

Acquisitions are made primarily through main UK publishers who are commissioned to provide copies of everything they publish each year. Small press special publishers and overseas publishers are selected based on the collection librarians' opinion of what is of interest in the UK after considering reviews. Some publishers provide copies free of charge because they value the uniqueness of the collection. Identified rare items are also purchased if they become available. The librarians have to manage the acquisitions within the annual budget allocation. Two copies of each book and audio title are purchased, one for reference and one for loan. More copies are acquired of popular volumes.

The collection receives donations mainly of books which are considered for the collection.

Loan items that are identified as no longer popular or are damaged beyond repair are donated to charity.

### Preservation

Items in the collection are cared for by the librarians who monitor the environment and the collection, occasionally employing a conservator to work through the books in the collection and carrying out repairs as necessary.

These include restoring covers and ripped pages. A rare book room has been set up at the library in which humidity and temperature is controlled to British Standards (BS). The digitisation of the magazines means that the originals are able to be digitally archived to protect their condition.

### Collection management

The collection is managed by the Southbank Centre on behalf of Arts Council England. Day to day management is the responsibility of the collection librarians. The Poetry Librarian reports to the Head of Learning and Participation at the Southbank Centre. Arts Council Collection staff salaries are paid by the Southbank Centre from the grant from Arts Council England to the Southbank Centre.

### Access

The Poetry Library operates as a lending library so the collection is available to those members of the public (adults, children and groups) who take up membership of the library. Membership is free and is open to anyone who lives in the UK and presents official ID and proof of address. Members are able to borrow up to four items for four weeks and are able to renew loans up to three times providing no one else has reserved the items. The Poetry Library is part of the national inter-lending service, so the loan collection is available via the public library network. There is a postal loan service for members with sight problems.

The library has a dedicated website, [poetrylibrary.org.uk](http://poetrylibrary.org.uk), which explains the purpose of the Poetry Library, how items can be accessed and a full catalogue. This website includes a link to a further website that takes readers to the online archive of poetry magazines ([poetrymagazines.org.uk](http://poetrymagazines.org.uk)). The library is open to browse by any way and the library runs an events and exhibition program to engage with new audiences.

### 10 Costs apportioned to Arts Council England Lottery distribution accounts

Directions issued by the Secretary of State require that costs incurred which relate to both Grant-in-Aid and Lottery activities should be apportioned between the two in accordance with good accounting practice. Consequently, we have apportioned them accordingly, based on an assessment of time spent on each activity. As a proxy for this, we use the proportion of Grant-in-Aid and Lottery payments during the year as the basis of the apportionment.

11 Debtors	31 March 2014	31 March 2013
	£000s	£000s
Trade debtors	<b>323</b>	55
Other debtors	<b>88</b>	68
Prepayments and accrued income	<b>1,205</b>	1,388
	<b>1,616</b>	1,511

### 12 Grants paid in advance

The Arts Council permits organisations to draw down cash from a future year's funding agreement to cover short term cash flow problems. Advances of £638,534 were made in 2013/14 (2012/13 £521,000).

## Notes to the Grant-in-Aid accounts

### 13 Creditors: amounts falling due within one year

	31 March 2014 £000s	31 March 2013 £000s
Trade creditors	718	381
DCMS creditor	0	2,026
Other creditors including taxes and social security	3	145
Accruals	2,417	6,070
Deferred income	98	0
	<b>3,236</b>	<b>8,622</b>

The deferred income relates to restricted income received during 2013/14 for programme expenditure which will occur in 2014/15.

### 14 Provisions for liabilities and charges

	Organisational reviews £000s	Property £000s	Dilapidations £000s	Tax £000s	Legal £000s	Employment £000s	Total £000s
At 1 April 2013	233	2,699	1,072	367	0	158	<b>4,529</b>
Arising during the year	36	25	120	0	106	0	<b>287</b>
Used during the year	(139)	(1,978)	(799)	(56)	0	(123)	<b>(3,095)</b>
Reversed unused	(3)	(721)	(273)	(130)	0	(19)	<b>(1,146)</b>
At 31 March 2014	127	25	120	181	106	16	<b>575</b>
<b>Expected timing of cash flows</b>							
Current	127	25	120	181	106	8	<b>567</b>
Non current	0	0	0	0	0	8	<b>8</b>

### Description of provisions

- a) Organisational reviews Redundancies decided in 2012/13 as part of organisational review which have been delayed beyond 31 March 2014.
- b) Property Provision for building works and lease exit costs.
- c) Dilapidations Provision for dilapidations of premises where it is planned to reduce area occupied.
- d) Tax Provision for payroll taxes on expenses and benefits identified by an internal review.
- e) Legal Provision for legal costs arising from employment tribunals.
- f) Employment This is compensation payments due to reduced pension benefit to be made to ArtCo staff who transferred to Creative Sector Services CIC during 2013/14.

Longer term provisions are shown at their cash value and have not been discounted to present value.

### 15 Grant offers

The Arts Council has entered into three year funding agreements with 696 National portfolio organisations commencing in 2012/13. Commitments are recognised for each year, with the funding agreements making clear that continued funding is dependent on the organisation continuing to deliver its agreed programme of activity set out in the funding agreement. Forward funding at 31 March 2014 mainly represents allocations for National portfolio organisations, Major partner museums and Music education hubs and the figures disclosed are the cash value; they have not been discounted to present value.

	31 March 2014 £000s	31 March 2013 £000s
Forward funding:		
2013/14	n/a	433,492
2014/15	<b>414,761</b>	421,861
2015/16	<b>59</b>	n/a
	<b>414,820</b>	<b>855,353</b>

### 16 Leases

At 31 March 2014 the Arts Council had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings 31 March 2014 £000s	Land and buildings 31 March 2013 £000s
<i>Operating leases which expire:</i>		
within one year	<b>33</b>	692
within two and five years inclusive	<b>316</b>	682
over five years	<b>814</b>	422
	<b>1,163</b>	1,796

### 17 Capital commitments

There were no contracted capital commitments at 31 March 2014 (31 March 2013: £593,000). The figures for 2012/13 represented amounts committed against changes, repairs and refurbishment of Arts Council offices.

### 18 Southbank Centre lease

The Arts Council owns the freeholds of the National Film Theatre, the Museum of the Moving Image, the Hayward Gallery, the Queen Elizabeth Hall, the Purcell Room and the Royal Festival Hall, which are leased to the Southbank Centre. Since the lease is long term and we derive no income from the freeholding, the value of the asset is immaterial and has therefore not been included in these accounts.

### 19 Royal National Theatre lease

The Arts Council owns the freehold of the Royal National Theatre, which is leased to and occupied by the Royal National Theatre Board Limited. Since the lease is long term and we derive no income from the free holding, the value of the asset is immaterial and has therefore not been included in these accounts.

1 Review of the year	The report of the Comptroller and Auditor
2 Highlighted information	General to the Trustees of Arts Council England
3 <b>Grant-in-Aid accounts</b>	Statement of financial activities
4 Lottery distribution accounts	Balance sheet
5 National Lottery report	Cash flow statement
	<b>Notes to the Grant-in-Aid accounts</b>

## Notes to the Grant-in-Aid accounts

### 20 Reconciliation of movements in funds

	Restated at 1 April 2013 £000s	Income £000s	Expenditure £000s	Gains & losses £000s	Transfers £000s	At 31 March 2014 £000s
<b>Endowment funds</b>	0	449	0	24	0	473
<b>Restricted funds</b>	1,675	83,637	(84,102)	0	(162)	1,048
<b>Unrestricted income funds</b>						
Unrestricted funds	6,146	375,711	(371,538)	0	670	10,989
Revaluation reserve	887	0	0	0	(887)	0
<b>Capital funds</b>						
Designated funds	5,554	0	0	0	179	5,733
Revaluation reserve	109,150	0	0	15,298	(277)	124,171
Donated asset reserve	4,132	0	0	89	162	4,383
Capital reserve	5,148	2,458	(1,927)	0	0	5,679
<b>Pension reserve</b>	(6,362)	0	0	(1,090)	315	(7,137)
	126,330	462,255	(457,567)	14,321	0	145,339

#### Description of funds

**Endowment funds** Arts Council England is the beneficiary of two legacies; the Compton Poetry Fund and the Thornton Fund.

**Restricted funds** The Arts Council receives grants, sponsorship and donations from various sources for specific activities. Any such income and associated expenditure is identified separately.

#### Unrestricted income funds

a) Unrestricted funds Grant-in-Aid is received from the Department for Culture, Media and Sport. This is the Arts Council's main source of income, and is supplemented by other income. This fund is applied to grants expenditure and the running costs of the Arts Council. Use of these funds in subsequent years is restricted by the government's budgetary controls.

b) Revaluation reserve This related to the unrealised surplus on revalued freehold properties.

#### Capital funds

a) Designated funds This fund relates to capital expenditure on works of art allocated from the unrestricted fund. The transfer figure of £179,000 relates to additions to the collection purchased during the year from unrestricted funds.

b) Revaluation reserve Due to improvements in our system for valuing works of art we are now able show our works of art collection at full market value on the balance sheet. The difference between the cost and market value of the collection is included in this fund.

c) Donated asset reserve This fund relates mainly to donations received by the Arts Council for obtaining works of art for our collection.

d) Capital reserve The capital reserve represents the balance of tangible assets.

**Pension reserve** The pension reserve reflects the movements in the West Yorkshire Pension Fund defined benefit scheme

### 21 Cash flow reconciliation

	2013/14 £000s	Restated 2012/13 £000s
<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>		
Operating surplus	19,009	9,152
Interest receivable	(73)	(70)
Dividends received	(11)	0
Depreciation charges	1,923	4,166
Revaluation of fixed assets	(15,387)	(9,477)
Actuarial losses on defined benefit scheme	1,090	1,400
Increase in investments	473	0
Decrease/(increase) in debtors and prepayments	2,018	(2,378)
(Increase) in grants paid in advance	(117)	(522)
Increase/(decrease) in grants outstanding	3,252	(3,795)
(Decrease)/increase in creditors	(5,386)	5,100
(Decrease)/increase in provisions	(3,955)	1,320
(Decrease) in defined benefit liability	(315)	(262)
<b>Net cash inflow from operating activities</b>	<b>2,521</b>	<b>4,634</b>

### 22 Reconciliation of net cash flow to movement in funds

	2013/14 £000s	2012/13 £000s
(Decrease)/increase in cash in the year	(486)	3,591
Funds at 1 April	21,935	18,344
<b>Funds at 31 March</b>	<b>21,449</b>	<b>21,935</b>

### 23 Analysis of net cash

	1 April 2013 £000s	Cash flow £000s	31 March 2014 £000s
Cash	21,935	(486)	21,449

## Notes to the Grant-in-Aid accounts

### 24 Related parties

#### 24a Council members

We maintain publicly available registers in which Council members declare their interests, including any direct interests in grant applications made to and commercial relationships with the Arts Council. The declared interests in grant recipients along with amounts awarded for the year ended 31 March 2014 are detailed below. Payments made to these grant recipients during the course of the year are not disclosed here; please refer to the related parties note in previous years' annual reviews for information.

Council member	Grant for the year ended 31 March 2014 £000s	Balance unpaid at 31 March 2014 £000s	Organisation	Relationship
Veronica Wadley	10	12	Greater London Authority	Member of the music education steering group, and adviser to the Mayor for the Team London, Volunteering, Charities and Sponsorship.
	2,265	1	Northern Ballet	Board member
Caroline Collier	1,257	0	Arnolfini Gallery Ltd	Part of the Plus Tate Network
	3,124	4	Baltic Centre For Contemporary Arts	Part of the Plus Tate Network
	916	0	Cornerhouse	Part of the Plus Tate Network
	888	6	Firstsite Limited	Part of the Plus Tate Network
	163	0	Grizedale Arts	Part of the Plus Tate Network
	1,006	0	Ikon Gallery Limited	Part of the Plus Tate Network
	118	0	Kettle's Yard Gallery	Part of the Plus Tate Network
	360	0	Newlyn Art Gallery Ltd	Part of the Plus Tate Network
	1,002	0	Nottingham Contemporary	Part of the Plus Tate Network
	10	3	Tate Gallery	Employee
	73	0	The Whitworth Art Gallery	Part of the Plus Tate Network
	367	86	Towner Art Gallery & Museum	Part of the Plus Tate Network
	669	0	Turner Contemporary	Part of the Plus Tate Network
	284	0	Wysing Arts Centre	Part of the Plus Tate Network
	789	82	mima	Part of the Plus Tate Network
Sheila Healy	281	0	Kneehigh Theatre Trust Ltd	Board member
Rosemary Squire OBE	351	0	Dance Umbrella Ltd	Director
	2,228	53	Rambert Dance Company	Partner is a Board member
	195	0	The Hall for Cornwall Trust	Director
Alice Rawsthorn	165	0	Chisenhale Gallery	Chair and Patron
	159	0	Modern Masterpieces	Trustee
	1,504	0	Whitechapel Gallery	Trustee and Patron
Alistair Spalding CBE	389	0	Dance Consortium Limited	Director
	1,252	30	Pioneer Theatres Ltd	Sadler's Wells co-producing a project
	2,645	3	Sadler's Wells Trust Ltd	Chief Executive
Ekow Eshun	10	12	Greater London Authority	Chair of Fourth Plinth

Council member	Grant for the year ended 31 March 2014 £000s	Balance unpaid at 31 March 2014 £000s	Organisation	Relationship
Sir Nicholas Kenyon	381	0	Artichoke Trust Ltd	Partner is a Board member
	571	0	Barbican Centre	Managing director
	4,143	65	North Music Trust	Board member
Julie Finch	1,863	674	Bristol City Council	Employee
Matthew Bowcock	9,768	98	Opera North	Board member of Arts Fundraising and Philanthropy Consortium; Opera North acting as grant holder for the Consortium

#### 24b Directors and senior managers

Executive directors and senior managers in Arts Council England are also required to declare any direct interests in grant applications made to and commercial relationships with the Arts Council. The declared interests in grant recipients, along with amounts awarded for the year ended 31 March 2014, are detailed below. Payments made to these grant recipients during 2013/14 are not disclosed here; please refer to the related parties note in previous years' annual reviews for information.

Executive Director / Senior Manager	Grant for the year ended 31 March 2014 £000s	Balance unpaid at 31 March 2014 £000s	Organisation	Relationship
Moira Sinclair	10	12	Greater London Authority	Member of the London Cultural Strategy Group
Alison Clark-Jenkins	693	0	Liverpool Biennial Of Contemporary Art	Partner is employee
Scott Furlong	51	0	Imperial War Museum	Partner is employee
Amanda Roberts	1,827	2	Birmingham Repertory Theatre Ltd	Employee
Joyce Wilson	10	12	Greater London Authority	Member of London Cultural Strategy Group
Philip Gibby	107	0	Theatre Bristol Ltd	Partner is employee
Simon Jutton	0	18	The British Broadcasting Corporation	Partner is employee
Pete Massey	63	0	We do.	Partner is employee
Helen Parrott	366	0	Axis Web	Member
William Vince	100	0	Open Clasp Theatre Company	Partner is employee

## Notes to the Grant-in-Aid accounts

### 24c Other government bodies

The Department for Culture, Media and Sport is the sponsoring department for Arts Council England and is regarded as a related party. At the year end Arts Council England had the following balances outstanding with other government bodies:

	<b>Creditor</b>	<b>Debtor</b>
	<b>31 March 2014</b>	<b>31 March 2014</b>
	<b>£000s</b>	<b>£000s</b>
Balances with bodies within the DCMS group	<b>3,836</b>	<b>2,572</b>
Balances with other central government bodies	<b>3</b>	<b>313</b>
Balances with local authorities	<b>41</b>	<b>0</b>
Balances with public corporations and trading funds	<b>0</b>	<b>5</b>

### 25 Financial instruments

FRS 29 requires disclosure of financial instruments 'that are complex or play a significant medium to long-term role in the financial risk profile' of the Arts Council. As the cash requirements of the Arts Council are met largely through Grant-in-Aid received from the Department for Culture, Media and Sport (99.23 per cent), financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts to buy non-financial items in line with the Arts Council's expected purchase and usages requirements, or the issue of grants (94.53 per cent) (2012/13: 92.4 per cent). This means the Arts Council is exposed to little credit, liquidity or market risk.

Arts Council England is the beneficiary of two legacies: the Compton Poetry Fund and the Thornton Fund. The total value of both legacies is £473,000 and is held in a mixture of cash and stock market investments managed by Investec Wealth & Investment Ltd. Details of both legacies are disclosed in note 31.

### 25a Liquidity risk

The Arts Council has a funding agreement with the Department for Culture, Media and Sport for the period from 1 April 2011 to 31 March 2015, renewable in line with the timetable set by Government for the next spending round. In the past 12 months 0.1 per cent of funding was received from sources outside Government, mostly in the form of legacy bequests, and 0.02 per cent was generated from cash balances. This means that 99.8 per cent of funding is sourced through cash drawn down and agreed monthly with the DCMS, based on the predicted need for the month ahead.

### 25b Interest rate risk

The cash balance of £21,448,531 at 31 March 2014 was held in instant access variable rate bank accounts which carried an average interest rate of 0.22 per cent below base rate. The Arts Council does not place money on deposit with any other bank, financial institution or investment product.

### 25c Foreign currency risk

Our exposure to foreign currency risk is not significant as less than 1 per cent of transactions by value are processed in currencies other than sterling.

### 25d Financial assets by category

	<b>31 March</b>	31 March
	<b>2014</b>	2013
	<b>£000s</b>	£000s
Trade debtors	<b>323</b>	55
Other debtors	<b>88</b>	68
Accrued income	<b>7</b>	437
Due from Arts Council Lottery distribution accounts	<b>2,572</b>	5,168
Cash at bank and in hand	<b>21,449</b>	21,935
	<b>24,439</b>	27,663

### 25e Financial liabilities by category

	<b>31 March</b>	31 March
	<b>2014</b>	2013
	<b>£000s</b>	£000s
Grants outstanding	<b>10,249</b>	7,000
Trade creditors	<b>718</b>	381
Other creditors including taxes and social security	<b>3</b>	145
Accruals	<b>2,417</b>	6,070
Deferred income	<b>98</b>	0
	<b>13,485</b>	13,596



1 Review of the year	The report of the Comptroller and Auditor
2 Highlighted information	General to the Trustees of Arts Council England
<b>3 Grant-in-Aid accounts</b>	Statement of financial activities
4 Lottery distribution accounts	Balance sheet
5 National Lottery report	Cash flow statement
	<b>Notes to the Grant-in-Aid accounts</b>

## Notes to the Grant-in-Aid accounts

### 26 Exceptional items

There were no exceptional costs during 2013/14. The amount provided in 2012/13 related to the anticipated costs of the organisation review to be implemented on 1 July 2013. This review was undertaken in response to the requirement from the Secretary of State that we reduce our administration costs by 50 per cent by 2014/15 from a 2010/11 baseline. The majority of the Arts Council's support costs are shared across Grant-in-Aid and Lottery activities and therefore an appropriate proportion of the restructuring costs were allocated to the Lottery distribution accounts in 2012/13.

	2013/14 £000s	2012/13 £000s
Accelerated depreciation	0	1,407
Redundancy costs	0	2,509
Property costs	0	2,167
	<b>0</b>	<b>6,083</b>

### 27 Subsidiary undertakings

Arts Council England owns the entire share capital of ArtCo Trading Limited through which we operated three programmes; Own Art; Take it away and Creative Industry Finance. During 2013/14 these activities, as well as some staff members, transferred to a new provider. ArtCo was formally dissolved on 20 May 2014. ArtCo donated £5,000 to Arts Council England in 2013/14.

We have consolidated the following figures for this subsidiary into our accounts. These figures relate to the activities undertaken by ArtCo whilst it was owned by Arts Council England.

	31 March 2014 £000s	31 March 2013 £000s
Cash at bank and in hand	0	468
Other debtors	0	4
Current assets	0	472
Other creditors	0	53
Amounts due to Arts Council England	0	317
Current liabilities	0	370
Net assets	0	102
Reserves	0	102

### Summary profit and loss

<b>Income</b>		
Income from DCMS	0	1,285
Other income	0	56
	<b>0</b>	<b>1,341</b>
<b>Expenditure</b>		
Staff costs	0	270
Operating costs	102	1,028
	<b>102</b>	<b>1,298</b>
(Deficit)/surplus for year	<b>(102)</b>	<b>43</b>

### 28 Post balance sheet events

In accordance with the requirements of FRS 21 events after the balance sheet date, post balance sheet events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the independent auditor's report to the Trustees of Arts Council England. There are no post balance sheet events to report.

### 29 Contingent liabilities

Arts Council England did not have any contingent liabilities as at 31 March 2014.

### 30 Special payments

Special payments are payments which would not normally be made in the course of business. Examples of such payments are lease exit payments, compensations payments or ex-gratia payments. All special payments made by Arts Council England in 2013/14 were provided for in 2012/13. The number and value of special payments made during 2013/14 were as follows:

	2013/14 £000s	2012/13 £000s
Total value of special payments	<b>2,831</b>	0
Total number of special payments	<b>7</b>	0

Special payments over £100,000 all related to early lease termination costs and were as follows:

	£s
Newcastle office	258,000
Exeter office	758,800
Nottingham office	678,000
London office (Great Peter Street)	1,100,000

### 31 Legacy bequests

Arts Council England is the beneficiary of two legacies: the Compton Poetry Fund and the Thornton Fund. The Compton Poetry Fund bequest was made in 1964 and the Thornton Fund bequest was made in 1950. Both legacies consist of a mixture of stocks and shares and cash; the Compton Poetry Fund consists of £247,000 in shares and £72,000 cash and the Thornton fund consists of £67,000 in shares and £87,000 cash.

Both legacies were incorporated into Arts Council England's account during 2013/14; the values of the stocks and cash are disclosed in note 2a (voluntary income) and dividends received during the year disclosed within note 2b.

The gains on investment during the year are as follows:

	Compton Poetry Fund £000s	Thornton Fund £000s
Gains on investments	<b>18</b>	<b>6</b>

- 1 Review of the year
- 2 Highlighted information
- 3 Grant-in-Aid accounts

- 4 Lottery distribution accounts
- 5 National Lottery report



# LOTTERY DISTRIBUTION ACCOUNTS

HMS DEPTFORD

*Moths Parade, part of Imagineer productions and Worcester Museums event. Credit: Ian Fletcher*

## The certificate and report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of Arts Council England's Lottery distribution for the year ended 31 March 2014 under the National Lottery Act 1993. The financial statements comprise: the statement of comprehensive net expenditure, financial position, cash flows, changes in equity, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the remuneration report that is described in that report as having been audited.

### Respective responsibilities of the Trustees, Chief Executive and auditor

As explained more fully in the statement of Trustees' and Chief Executive's responsibilities, the Trustees and Chief Executive are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with National Lottery etc Act 1993. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Arts Council England's Lottery distribution circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Arts Council England's Lottery distribution and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Arts Council England's Lottery distribution affairs as at 31 March 2014 and of the net income for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Lottery etc Act 1993 and Secretary of State directions issued thereunder

### Opinion on other matters

In my opinion:

- the part of the remuneration report to be audited has been properly prepared in accordance with Secretary of State directions made under the National Lottery etc Act 1993; and
- the information given in the Highlighted Information for the financial year for which the financial statements are prepared is consistent with the financial statements

### Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the remuneration report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the governance statement does not reflect compliance with HM Treasury's guidance

### Report

I have no observations to make on these financial statements

Sir Amyas C E Morse KCB  
 Comptroller and Auditor General  
 National Audit Office  
 157–197 Buckingham Palace Road  
 Victoria, London, SW1W 9SP

1 July 2014

## Statement of comprehensive net expenditure

	Note	2013/14 £000s	2012/13 £000s
<b>Expenditure</b>			
Grant commitments made in the year	8	172,713	317,227
Less: lapsed and revoked commitments	8	(8,851)	(4,410)
Net grant commitments		163,862	312,817
Transfer of funds to the Olympic Lottery Distribution Fund		0	14,101
		<b>163,862</b>	326,918
<i>General expenditure:</i>			
Staff costs	2a	1,721	1,809
Other operating costs	3a	527	514
Costs apportioned from Grant-in-Aid accounts	3b	15,035	12,103
		<b>17,283</b>	14,426
<i>Exceptional item:</i>			
Cost of fundamental reorganisation	19	0	3,727
<b>Total expenditure</b>		<b>181,145</b>	345,071
<b>Income</b>			
Share of proceeds from the National Lottery Distribution Fund	7	230,800	270,153
Investment returns on the Distribution Fund	7	1,083	1,445
		<b>231,883</b>	271,598
Other income		522	819
<b>Total income</b>		<b>232,405</b>	272,417
<b>Net income/(expenditure)</b>		<b>51,260</b>	(72,654)
Interest receivable		26	25
<b>Net income/(expenditure) after interest</b>		<b>51,286</b>	(72,629)

The notes on pages 116 to 129 form part of these accounts.

## Statement of financial position

	Note	31 March 2014 £000s	31 March 2013 £000s
<b>Non-current assets</b>			
Tangible assets	5	0	0
<b>Total non-current assets</b>		<b>0</b>	0
<b>Current assets</b>			
Trade and other receivables	6	41	49
Investments: balance in the National Lottery Distribution Fund	7	286,613	282,192
Cash and cash equivalents		15,075	15,002
<b>Total current assets</b>		<b>301,729</b>	297,243
<b>Total assets</b>		<b>301,729</b>	297,243
<b>Current liabilities</b>			
Grant commitments due within one year	8	193,886	163,348
Trade and other payables	9	123	180
Due to Grant-in-Aid accounts		2,572	5,168
<b>Total current liabilities</b>		<b>196,581</b>	168,696
<b>Non-current assets plus net current liabilities</b>		<b>105,148</b>	128,547
<b>Non-current liabilities</b>			
Grant commitments due in more than one year	8	73,300	147,985
<b>Assets less liabilities</b>		<b>31,848</b>	(19,438)
<b>Equity</b>			
General reserve		29,731	(21,555)
Fair value reserve		2,117	2,117
		<b>31,848</b>	(19,438)

The notes on pages 116 to 129 form part of these accounts.

**Alan Davey**  
 Chief Executive  
 26 June 2014

**Sir Peter Bazalgette**  
 Chair  
 26 June 2014

## Statement of cash flows

	Note	2013/14 £000s	2012/13 £000s
<b>Cash flows from operating activities</b>			
Funds received from the National Lottery Distribution Fund	7	227,461	169,795
Other cash receipts		530	819
Grants paid	8	(208,009)	(150,856)
Cash paid to and on behalf of employees		(1,721)	(1,809)
Other cash payments		(18,214)	(11,527)
<b>Net cash inflow from operating activities</b>	13	<b>47</b>	6,422
<b>Cash flows from investing activities</b>			
Interest received		26	25
<b>Net cash inflow from investing activities</b>		<b>26</b>	25
<b>Net increase in cash and cash equivalents in the period</b>	14/15	<b>73</b>	6,447
<b>Cash and cash equivalents at beginning of period</b>		<b>15,002</b>	8,555
<b>Cash and cash equivalents at end of period</b>		<b>15,075</b>	15,002

The notes on pages 116 to 129 form part of these accounts.

## Statement of changes in equity

	SoCNE reserve £000s	Fair value reserve £000s	Total reserves £000s
Opening reserve position at 1 April 2011	43,505	(246)	<b>43,259</b>
Transferred (from the statement of comprehensive net expenditure)	7,569	2,363	<b>9,932</b>
Opening reserve position at 1 April 2012	51,074	2,117	<b>53,191</b>
Transferred (from the statement of comprehensive net expenditure)	(72,629)	0	<b>(72,629)</b>
Opening reserve position at 1 April 2013	(21,555)	2,117	<b>(19,438)</b>
Transferred from the statement of comprehensive net expenditure	51,286	0	<b>51,286</b>
Closing Lottery reserve at 31 March 2014	<b>29,731</b>	<b>2,117</b>	<b>31,848</b>

## Notes to the Lottery distribution accounts

### 1 Accounting policies

#### 1a Basis of accounts

We have prepared these accounts in accordance with the National Lottery etc Act 1993 (as amended) and directions issued thereunder by the Secretary of State for Culture, Media and Sport with the consent of HM Treasury and the 2013/14 Government Financial Reporting Manual (FRoM) issued by HM Treasury. The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FRoM permits a choice of accounting policy the accounting policy which is judged to be the most appropriate for the particular circumstances of the Arts Council Lottery Distribution Fund for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Arts Council Lottery Distribution Fund are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

The accounts are prepared on a going concern basis. The grant commitments have been entered into after consideration of the cash requirements of grant recipients and after taking account of income projections provided by the Department for Culture, Media and Sport.

The accounts are prepared on a historic cost basis. Separate accounts have been prepared for the activities funded from Grant-in-Aid, in accordance with the directions issued by the Secretary of State. Full consolidated accounts have not been prepared.

#### 1b Recognition of income and expenditure

All income and expenditure are accounted for on a receivable and payable basis. As required by the Secretary of State, we have made a distinction between Lottery grants that are 'hard' and 'soft' commitments. A hard commitment is when Arts Council England has made a firm offer of a grant which (together with appropriate conditions) has been accepted by the recipient. A soft commitment is when we have agreed in principle to fund a scheme and made an offer, but the offer and associated conditions have not been accepted.

Hard commitments are recognised as items of expenditure in the statement of comprehensive net expenditure. Details of soft commitments are disclosed in note 8 to the accounts. Hard commitments payable within one year of the balance sheet date are recognised in the balance sheet as current liabilities. Those payable more than one year from the balance sheet date are shown as grant commitments over one year.

#### 1c National Lottery Distribution Fund

Balances held in the National Lottery Distribution Fund remain under the stewardship of the Secretary of State for Culture, Media and Sport. However, the share of these balances attributable to Arts Council England is as shown in the accounts and, at the date of the statement of financial position, has been notified by the Secretary of State for Culture, Media and Sport as being available for distribution by Arts Council England for current and future commitments.

#### 1d Taxation

Arts Council England, as a registered charity (1036733), is considered to pass the tests set out in paragraph 1 schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable trust for UK income tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by part 10 Income Tax Act 2007 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. No tax charge has arisen in the year.

#### 1e Pensions

We provide a defined benefit pension scheme for our employees (the Arts Council Retirement Plan 1994) and are a participating employer in the West Yorkshire Pension Fund.

The Arts Council Retirement Plan is a multi-employer scheme and we cannot identify our share of the underlying assets and liabilities. We have therefore accounted for this scheme as if it was a defined contribution scheme, in accordance with FRS17 *Retirement Benefits*, with the costs of the scheme being charged to the statement of financial activities. The West Yorkshire Pension Fund is also a multi-employer scheme, but, as a Local Government Pension Scheme, we are able to identify our share of the underlying assets and liabilities and have therefore accounted for this scheme in line with FRS17 *Retirement Benefits*.

All FRS17 adjustments are charged through the Grant-in-Aid accounts and recharged to the Lottery Distribution accounts.

The law on workplace pensions has changed and every employer must automatically enrol its staff onto a workplace pension scheme. In order to meet these requirements, we now also provide a defined contribution scheme for staff who are automatically enrolled (via the Peoples Pension). Arts Council England's staging date was 1 November 2013 but we chose to postpone automatic enrolment by three months to 1 January 2014.

#### 1f Apportioned costs

Arts Council England incurs indirect costs, which are shared between activities funded from Grant-in-Aid and activities funded from the National Lottery. We are required to apportion indirect costs properly between the two areas in accordance with good accounting practice.

This year we calculated the recharge on a monthly basis as a simple average, rather than as an annual charge to better reflect the activities undertaken.

It should be noted that Grant-in-Aid accounts are prepared under the Charity SORP 2005, and as such are not impacted by IFRS. There is no material impact on the recharge to Lottery were IFRS a requirement for adoption for the Grant-in-Aid accounts.

#### 1g Change in accounting policy

There has been no change in accounting policy in the period.

#### 1h Financial instruments

In accordance with the Lottery accounts direction, unrealised profits and losses on investments are recognised within the statement of comprehensive net expenditure.

#### 1i Policy on reserves

Reserves held within the Lottery distribution accounts represent the difference between the amount allocated to Arts Council England and the amount committed.

#### 1j Statement of comprehensive net expenditure

The statement of comprehensive net expenditure reports the revaluation reserve on the National Lottery Distribution Fund balance as a note. The statement of financial position also shows this separately as a fair value reserve.

#### 1k Adoption of IFRS

Arts Council England has been required to present the Lottery distribution accounts under International Financial Reporting Standards since 2009/10.

It is a requirement of IFRS that staff costs include an accrual for any outstanding leave at the close of the year as a potential liability to the organisation. Due to the immaterial nature of this change to these accounts no adjustment for this has been included.

There are no standards and interpretations in issue but not yet adopted that the Trustees anticipate will have a material effect on the reported income, expenditure or net assets of the Lottery activities of Arts Council England.

#### 2a Staff costs

	2013/14 £000s	2012/13 £000s
Salaries and wages	1,290	1,392
Employer's National Insurance	98	114
Employer's pension contributions	212	211
Agency	121	92
	<b>1,721</b>	<b>1,809</b>

IAS 19 requires the reporting of any unpaid leave or other accrued employment rights where these are material to staff costs. In our view this cost would not be material and so no adjustment has been made in these accounts.

In addition to the cost of staff working directly on Lottery activities in the table above, £8,503,000 (2012/13: £7,342,000) of the costs apportioned from Arts Council England's Grant-in-Aid accounts (note 5) relate to staff costs.

The average number of staff engaged directly on Lottery activities for the year ended 31 March 2013 was as follows:

	Permanent staff	Agency staff	2013/14 total staff	2012/13 total staff
Management and operational	49	6	55	55

The average number of days of sickness absence per full-time employee during 2013/14 was 3.81 days (2012/13: 4.2 days).

#### 2b Pensions

We are a participating employer in the Arts Council Retirement Plan (1994) and the West Yorkshire Pension Fund and also contribute to a group personal pension arrangement.

#### Arts Council Retirement Plan (1994)

The scheme is a defined benefit scheme. Other employers contributing to the scheme are the Arts Council of Wales, Creative Scotland, the Crafts Council and Creativity, Culture and Education. Because it is a multi-employer scheme, we are unable to identify our share of the underlying assets and liabilities. Consequently, we have accounted for the scheme as if it were a defined contribution scheme, in accordance with IAS19 Employee Benefits.

## Notes to the Lottery distribution accounts

The scheme is financed by payments made by Arts Council England and employees into a trustee-administered fund independent of Arts Council England's finances. These contributions are invested by a leading fund management company. The net market value of the scheme's assets at 31 March 2013 was £98.7 million.

An actuarial valuation of the pension fund takes place at least every three years. At the last valuation on 31 March 2013 the actuarial value of the assets using the projected unit method was sufficient to cover 77.8 per cent of the value accrued to members, a deficit of £28,100,000. As a result, and on the advice of the actuary, with effect from 1 April 2014 we will be paying employer's contributions of 16.6 per cent of pensionable salary for Arts Council England employees and 21.9 per cent of pensionable salary for employees who transferred to Arts Council England from museums and libraries, as well as a cash contribution of £647,000 per annum until 2023.

The main long-term assumptions used for the actuarial valuation were as follows:

Consumer price inflation rate	<b>2.6%</b>
Long term rate of pay increases	<b>3.3%</b>
Short term rate of pay increases	<b>1.3%</b>
Rate of pension increases	<b>2.6%</b>

Amounts due to the fund at 31 March 2014 were £15,634 (31 March 2013: £nil).

### West Yorkshire Pension Fund

We are an admitted member of the West Yorkshire Pension Fund who provides pensions to over 246,000 members in 311 mainly local government organisations. Nine Arts Council staff participated in this scheme at 31 March 2014. The scheme is a defined benefit scheme and accounted for in accordance with FRS17 *Retirement Benefits*. All FRS17 adjustments are charged through the Grant-in-Aid accounts and recharged, as appropriate, to the Lottery distribution accounts.

Amounts due to the fund at 31 March 2014 were £nil (31 March 2013: £nil).

### Legacy Regional Arts Board pension schemes

All active Regional Arts Board pension members, except those from London Arts, transferred to the West Yorkshire Pension fund on 1 April 2002. However, the deferred and pensioner members remained with their legacy pension provider as detailed below:

East England Arts	Cambridgeshire Council
East Midlands Arts	Nottingham Council
Northern Arts	Tyne & Wear Pension Fund
North West Arts	Greater Manchester Pension Fund
Southern Arts	Hampshire Pensions Trust
South East Arts	Surrey Council
South West Arts	Devon Council
West Midlands Arts	Staffordshire County Council
Yorkshire Arts	Remained in West Yorkshire Pension Fund

Arts Council England did not believe it was responsible for meeting any further liabilities relating to Regional Arts Board employees in respect of these funds following lump sum payments to four schemes. However, three other funds have indicated during 2013/14 that liabilities exist in respect of the deferred pensioner members that they retained within their respective funds. Following specialist legal advice Arts Council England has asked the funds to provide documentary evidence that it is liable. No provision has been made in these accounts for potential sums payable, because of the uncertain nature of these liabilities.

### 3a Other operating costs

	2013/14 £000s	2012/13 £000s
Travelling, subsistence and entertainment	66	107
Professional fees	49	42
Office and sundry	76	48
Irrecoverable Value Added Tax	83	71
External assessment costs	253	246
	<b>527</b>	514

### 3b Costs apportioned from Grant-in-Aid accounts

	2013/14 £000s	2012/13 £000s
Staff costs	8,272	7,124
Agency staff costs	223	233
Depreciation	913	678
Travelling, subsistence and entertainment	645	508
Rent and rates	1,719	997
Professional fees	375	251
Office and sundry	1,510	1,280
Irrecoverable Value Added Tax	537	671
IT project costs	433	0
Corporate governance	408	360
	<b>15,035</b>	12,103

### 4 Increase/decrease in Lottery funds

	2013/14 £000s	2012/13 £000s
<b>Stated after charging:</b>		
(a) Auditors' remuneration	64	64
(b) Staff travel, subsistence and hospitality	66	107

### 5 Non-current assets

Lottery accounts are charged their share of the depreciation of assets employed across all Arts Council England activities.

### 6 Receivables

	31 March 2014 £000s	31 March 2013 £000s
Prepayments and accrued income	3	2
Other receivables	38	47
	<b>41</b>	49

## Notes to the Lottery distribution accounts

<b>7 Investments: balance in the National Lottery Distribution Fund</b>	<b>2013/14</b>	2012/13
	<b>£000s</b>	£000s
Balance at 1 April	<b>282,192</b>	194,490
Share of proceeds from the National Lottery Distribution Fund	<b>230,800</b>	270,153
Investment returns on the Distribution Fund	<b>1,083</b>	1,445
Diversion of funds to the 2012 Olympics	<b>0</b>	(14,101)
Cash drawn down	<b>(227,462)</b>	(169,795)
<b>Balance at 31 March</b>	<b>286,613</b>	282,192

The balance in the National Lottery Distribution Fund at 31 March 2014 is based on the interim certificate issued by the DCMS.

The accounts for 2012/13 were prepared using an interim certificate issued by DCMS. Subsequent information was made available by DCMS, after the date of signature of the accounts, which would have revised this estimate of the balance to £278.145 million. The difference between the estimated valuations as at 31 March 2013 is shown as a reduction in the share of operator proceeds in 2013/14. Net operator proceeds would be £234.847 million without this adjustment.

Arts Council England's ongoing National Lottery Distribution Fund balance policy can be summarised as follows:

We believe that our Lottery financial model should preserve a balance of approximately £50–£80 million in each year over the period to 2017/18. This is the equivalent of approximately three to four months' worth of income or cash payments which we feel is sufficient to mitigate the risks involved while ensuring that we commit to as high a value of Lottery grant programmes as possible. We may also choose to build up our Lottery balance for a particular reason, for example to enable the launch of a new capital programme where a significant budget is required in one financial year. However as a general principle we would not allow our balance to exceed one year's worth of income. We review this policy annually and may either revise this figure upward or downward based on our assessment of the risks.

The other element of risk mitigation we consider is the level of commitments we feel able to enter into in advance of receiving the income into the National Lottery Distribution Fund. We have been encouraged by DCMS to adopt a policy of entering into commitments in advance of receiving the income. We are able to do this because of the time lag on some of our programmes between entering into the grant commitment and actually paying out the cash to the recipient. This time lag varies and so the appropriate level of commitment will depend on the mix of our programme budgets and their cash flow profiles. This approach introduces another element of risk to our Lottery activities as future income is not certain. We therefore have a policy that our balance sheet at the end of a financial year (adjusted to include soft commitments) will not show commitments in excess of the assets we currently hold of more than the forecast income level for the following year.

<b>8 Soft and hard commitments</b>	<b>31 March</b>	31 March
	<b>2014</b>	2013
	<b>£000s</b>	£000s
Soft commitments brought forward	<b>17,550</b>	33,331
Soft commitments transferred to hard commitments	<b>(172,713)</b>	(317,227)
Soft de-commitments	<b>(201)</b>	(635)
Soft commitments made	<b>176,830</b>	302,081
Balance of soft commitments outstanding carried forward	<b>21,466</b>	17,550
Hard commitments brought forward	<b>311,333</b>	149,370
Hard commitments met in the last year	<b>(208,009)</b>	(150,854)
Hard de-commitments	<b>(8,851)</b>	(4,410)
Hard commitments made	<b>172,713</b>	317,227
Balance of hard commitments outstanding carried forward	<b>267,186</b>	311,333
<b>Ageing of hard commitments:</b>		
2013/14	<b>n/a</b>	163,348
2014/15	<b>193,886</b>	98,771
2015/16	<b>57,953</b>	49,214
2016/17 and beyond	<b>15,347</b>	n/a
Total hard commitments	<b>267,186</b>	311,333

Commitments accounted for are limited to those where there has been written acceptance from the grant recipient.

<b>9 Current liabilities</b>	<b>31 March</b>	31 March
	<b>2014</b>	2013
	<b>£000s</b>	£000s
Trade payables	<b>7</b>	0
Accruals and deferred income	<b>115</b>	166
Provision for doubtful debts	<b>1</b>	14
	<b>123</b>	180

### 10 Leases

There were no commitments under non-cancellable operating leases at 31 March 2014 (31 March 2013: £nil).

### 11 Capital commitments

There were no contracted capital commitments as at 31 March 2014 (31 March 2013: £nil).

### 12 Charge on assets

Since April 2012, the standard conditions for capital grants for building projects of £500,000 or more give Arts Council England the option to take security on assets.

## Notes to the Lottery distribution accounts

<b>13 Cash flow reconciliation</b>	<b>2013/14</b>	2012/13
	<b>£000s</b>	£000s
Reconciliation of operating surplus/(deficit) to net cash flow from operating activities.		
Operating surplus/(deficit)	<b>51,286</b>	(72,629)
Interest receivable	<b>(26)</b>	(25)
(Increase) in receivables and prepayments	<b>(4,413)</b>	(87,629)
(Decrease)/ increase in payables	<b>(46,800)</b>	166,705
Net cash inflow from operating activities	<b>47</b>	6,422

<b>14 Reconciliation of net cash flow to movement in funds</b>	<b>2013/14</b>	2012/13
	<b>£000s</b>	£000s
Increase in cash and cash equivalents in the year	<b>73</b>	6,447
Funds at 1 April	<b>15,002</b>	8,555
Funds at 31 March 2014	<b>15,075</b>	15,002

<b>15 Cash and cash equivalents</b>	1 April	Cash flow	<b>31 March</b>
	2013	£000s	<b>2014</b>
	£000s	£000s	<b>£000s</b>
Cash and cash equivalents	15,002	73	<b>15,075</b>
	15,002	73	<b>15,075</b>

## 16 Reconciliation of transactions with delegate body

### 16a National Foundation for Youth Music (Youth Music)

The National Foundation for Youth Music is a delegate body of Arts Council England in distributing Lottery funds. Transactions in these accounts relating to this delegation reconcile to transactions in the accounts of the National Foundation for Youth Music as follows:

<b>Transactions in Arts Council England accounts:</b>	<b>2013/14</b>	2012/13
	<b>£000s</b>	£000s
Grant commitments in the year	<b>0</b>	29,712
National Foundation for Youth Music payables balance as at 31 March	<b>14,712</b>	22,712

### This reconciles to the National Foundation for Youth Music accounts for the year ended 31 March as follows:

Balance at 1 April	<b>1,605</b>	3,574
Incoming funds:	<b>9,738</b>	10,000
	<b>235</b>	200
Outgoing funds:	<b>(9,071)</b>	(10,584)
	<b>(1,197)</b>	(1,585)
Balance at 31 March	<b>1,310</b>	1,605
Arts Council England receivables balance as at 31 March	<b>14,712</b>	22,712

The 2013/14 figures were unaudited at the date of signing these accounts; the 2012/13 figures have been adjusted to reflect audited accounts.

### 16b National Skills Academy

The National Skills Academy is a delegate body of Arts Council England in distributing Lottery funds. Transactions in these accounts relating to this delegation reconcile to transactions in the accounts of the National Skills Academy as follows:

<b>Transactions in Arts Council England accounts:</b>	<b>2013/14</b>	2012/13
	<b>£000s</b>	£000s
Grant commitments in the year	<b>0</b>	15,000
National Skills Academy payables balance as at 31 March	<b>7,470</b>	14,612

### This reconciles to the National Skills Academy's accounts for the year ended 31 March as follows:

Balance at 1 April	<b>20</b>	0
Incoming funds:	<b>7,142</b>	388
	<b>0</b>	2
Outgoing funds:	<b>(2,745)</b>	(259)
	<b>(125)</b>	(111)
Balance at 31 March	<b>4,292</b>	20
Arts Council England receivables balance as at 31 March	<b>7,470</b>	14,612

The 2013/14 figures were unaudited at the date of signing these accounts; the 2012/13 figures have been adjusted to reflect audited accounts.



## Notes to the Lottery distribution accounts

### 16c Performing Rights Society for Music Foundation

The Performing Rights Society for Music Foundation is a delegate body of Arts Council England in distributing Lottery funds. Transactions in these accounts relating to this delegation reconcile to transactions in the accounts of the Performing Rights Society for Music Foundation as follows:

	2013/14 £000s
<b>Transactions in Arts Council England accounts:</b>	
Grant commitments in the year	<b>509,000</b>
Performing Rights Society for Music Foundation payables balance as at 31 March	<b>313,400</b>
<b>This reconciles to the Performing Rights Society for Music Foundation accounts for the year ended 31 March as follows:</b>	
Balance at 1 April	<b>0</b>
Incoming funds:	<b>195,600</b>
	<b>82,493</b>
Outgoing funds:	<b>(292,000)</b>
	<b>(20,648)</b>
Balance at 31 March	<b>(34,555)</b>
Arts Council England receivables balance as at 31 March	<b>313,400</b>

The 2013/14 figures were unaudited at the date of signing these accounts.

### 17 Related parties

#### 17a Council members

Arts Council England maintains publicly available registers in which Council members declare their interests, including any direct interests in grant applications made to and commercial relationships with Arts Council England. The declared interests in grant recipients along with amounts awarded for the year ended 31 March 2014 are detailed below. Payments made to these grant recipients during the course of the year are not disclosed here; please refer to the related parties note in previous years' annual reviews for information.

Council member	Grant for the	Balance	Soft grant	Organisation	Relationship
	year ended	unpaid at	commitment		
	31 March	31 March	at 31 March		
	2014	2014	2014		
	£000s	£000s	£000s		
Sir Peter Bazalgette	0	281	0	The Charleston Trust	Partner is a Trustee
Veronica Wadley	65	0	130	Greater London Authority	Member of the music education steering group, and adviser to the Mayor for the Team London, Volunteering, Charities and Sponsorship.
	57	603	0	Northern Ballet	Board member
Joseph Docherty	150	0	0	University of Durham	Trustee and Member

Council member	Grant for the	Balance	Soft grant	Organisation	Relationship
	year ended	unpaid at	commitment		
	31 March	31 March	at 31 March		
	2014	2014	2014		
	£000s	£000s	£000s		
Caroline Collier	0	81	0	Baltic Centre For Contemporary Arts	Part of the Plus Tate Network
	0	500	292	Firstsite Limited	Part of the Plus Tate Network
	130	65	0	Grizedale Arts	Part of the Plus Tate Network
	210	218	0	Ikon Gallery Limited	Part of the Plus Tate Network
	0	110	0	Kettle's Yard Gallery	Part of the Plus Tate Network
	0	160	0	Nottingham Contemporary	Part of the Plus Tate Network
	4,000	4,000	0	Tate Gallery	Employee
	1,730	1,940	0	The Whitworth Art Gallery	Part of the Plus Tate Network
	0	29	0	Towner Art Gallery & Museum	Part of the Plus Tate Network
	0	226	438	Turner Contemporary	Part of the Plus Tate Network
	66	94	0	mima	Part of the Plus Tate Network
Sheila Healy	0	74	0	Kneehigh Theatre Trust Ltd	Board member
Rosemary Squire OBE	210	620	0	Rambert Dance Company	Partner is a Board member
	0	211	0	The Hall for Cornwall Trust	Director
Alice Rawsthorn	0	70	0	Chisenhale Gallery	Chair and Patron
	0	42	0	Modern Masterpieces	Patron and Trustee
Alistair Spalding CBE	0	103	0	Dance Consortium Limited	Director
	257	1	0	Sadler's Wells Trust Ltd	Chief Executive
Ekow Eshun	65	0	130	Greater London Authority	Chair of Fourth Plinth Commissioning Group
Sir Nicholas Kenyon	0	98	0	Artichoke Trust Ltd	Partner is a Board member
	0	25	0	Britten-Pears Foundation	Partner is a Trustee
	44	22	0	House of Illustration	Partner is a Trustee
	0	42	0	Modern Masterpieces	Resident company at the Barbican Centre
	0	1,783	156	North Music Trust	Board member
	162	77	0	The Dartington Hall Trust	Trust
Julie Finch	191	88	0	Bristol City Council	Employee
Matthew Bowcock	0	3,718	212	Opera North	Board Member of Arts Fundraising and Philanthropy Consortium; Opera North acting as grant holder for the Consortium
	15	2	0	Watts Gallery	Board member, and Donor

## Notes to the Lottery distribution accounts

### 17b Directors and senior managers

Executive directors and senior managers at Arts Council England are also required to declare any direct interests in grant applications made to and commercial relationships with the Arts Council. The declared interests in grant recipients along with amounts awarded for the year ended 31 March 2014 are detailed below. Payments made to these grant recipients during 2013/14 are not disclosed here; please refer to the related parties note in previous years' annual reviews for information.

Council member	Grant for the year ended 31 March 2014 £000s	Balance unpaid at 31 March 2014 £000s	Soft grant commitment at 31 March 2014 £000s	Organisation	Relationship
Althea Efunshile	10	1	0	Goldsmiths, University of London	Council member
Moira Sinclair	65	0	130	Greater London Authority	Member of the London Cultural Strategy Group
	168	0	0	University Of Lincoln	Board member
Simon Mellor	68	7	0	Not Shut Up	Partner Chair of the Board of Trustees
Alison Clark-Jenkins	69	7	0	Northern Film and Media	Board member
Scott Furlong	5,059	4,085	0	Imperial War Museum	Partner is employee
Amanda Roberts	0	10	0	Birmingham Repertory Theatre Limited	Employee
Joyce Wilson	65	0	130	Greater London Authority	Member of London Cultural Strategy Group
Julie Leather	10	0	0	Turf Love Productions	Board member
Milica Robson	10	1	0	Shapeshifter Productions Ltd	Board member
	24	1	0	The Drawing Shed	Board member
Sarah Bond	15	15	0	Michael Pinchbeck	Close friend
Michelle Freeman	0	10	0	Castlefield Gallery	Board member
Hugh James	10	0	0	Dragon Breath Theatre Company	Board member

### 17c Other government bodies

The Department for Culture, Media and Sport is the sponsoring department for Arts Council England and is regarded as a related party. The National Foundation for Youth Music and the National Skills Academy are similarly regarded as related parties by virtue of their funding relationships with the Arts Council. At the year end Arts Council England had the following balances outstanding with other government bodies:

	Payables 31 March 2014 £000s	Receivables 31 March 2014 £000s
Balances with other central government bodies	8,867	27
Balances with academies	46	0
Balances with local authorities	20,877	0
Balances with NHS Trusts	85	0
Balances with public corporations and trading funds	71	0

### 18 Financial instruments

Cash requirements for Lottery expenditure are met by drawing down against weekly forecasts of need from the balances held on behalf of the Arts Council by the National Lottery Distribution Fund. At 31 March 2013 the fund balance was £282 million. This had increased to £287 million by 31 March 2014, at which point there were £267 million of grant commitments yet to be paid out. In budgeting for current expenditure the Arts Council balances the anticipated outflow of cash payments against grant commitments, along with forward forecasts of Lottery income provided by the Department for Culture, Media and Sport. This means that the Arts Council is exposed to little immediate credit, liquidity or market risk.

### 18a Liquidity risk

In 2013/14, 99.3 per cent of Arts Council England's income was derived from the National Lottery. The remaining income was derived from investment returns from the balance held with the National Lottery Distribution Fund of 0.5 per cent, and from bank interest and other income of 0.2 per cent.

	£000s
At the balance sheet date, Arts Council England had net assets of:	31,848

We do not believe that we are exposed to significant liquidity risks, and are satisfied that we have sufficient current liquid resources to cover our projected payments over the next financial year.

	£000s
Liquid assets as at 31 March 2014:	
Market value of National Lottery Distribution Fund investments	286,613
Cash and cash equivalents	15,075

## Notes to the Lottery distribution accounts

### 18b Interest rate risk

In accordance with the National Lottery Act 1998, National Lottery income receivable by Arts Council England is passed by the National Lottery Distribution Fund to the Commissioners for the Reduction of National Debt who invest the income in a narrow band of low risk assets such as government bonds and cash. Arts Council England has no control over the investment of funds on their behalf. The management of the National Lottery Distribution Fund meets with representatives of the Commissioners for the Reduction of National Debt on a regular basis to manage the risks associated with the investment of these monies.

At the balance sheet date, the market value of the Arts Council's share of the National Lottery Distribution Fund was £286,613,207. In the year, the average return on these investments was 0.50 per cent (2012/13: 0.78 per cent).

	Fund balance £000s	Investment return £000s	Average return	Proportion of total income
<b>2013/14</b>	<b>286,613</b>	<b>1,083</b>	<b>0.50%</b>	<b>0.47%</b>
2012/13	282,192	1,445	0.78%	0.53%
2011/12	194,490	1,515	2.26%	0.71%
2010/11	125,457	2,092	1.13%	1.15%
2009/10	97,363	1,396	0.58%	0.81%
2008/09	129,622	7,122	3.72%	4.66%
2007/08	155,552	11,272	6.05%	7.41%

Cash balances which are drawn down by Arts Council England from the National Lottery Distribution Fund to pay grant commitments and operating costs are held in an instant access variable rate bank account, which carried an interest rate of 0.22 per cent below base rate during the year. The cash balance at the year end was £15,075,260.

### 18c Foreign currency risk

Our exposure to foreign currency risk is not significant as less than 1 per cent of transactions by value are processed in currencies other than sterling.

### 18d Financial assets by category

	2013/14 £000s	2012/13 £000s
<b>Receivables due within one year</b>		
Accrued income	3	2
Other receivables	38	47
	<b>41</b>	49
<b>Investments</b>		
National Lottery Distribution Fund	286,613	282,192
<b>Cash and cash equivalents</b>		
Cash and cash equivalents	15,075	15,002
<b>Total</b>	<b>301,729</b>	297,243

### 18e Financial liabilities by category

	2013/14 £000s	2012/13 £000s
Trade payables	7	0
Accruals	115	166
Provision for doubtful debts	1	14
Due to Arts Council Grant-in-Aid accounts	2,572	5,168
Grant payables falling due within one year	193,886	163,348
Grant payables falling due over one year	73,300	147,985
	<b>269,881</b>	316,681

### 19 Exceptional items

There were no exceptional items in 2013/14.

### 20 Events after the reporting period

In accordance with the requirements of IAS10 Events After The Reporting Period, these events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the certificate and report of the Comptroller and Auditor General. There are no events after the reporting period to report.

- 1 Review of the year
- 2 Highlighted information
- 3 Grant-in-Aid accounts

- 4 Lottery distribution accounts
- 5 **National Lottery report**



# NATIONAL LOTTERY REPORT



*BIANCO: Turning Savage by NoFit State Circus, which formed part of the Appetite project in Stoke-on-Tent during 2013. Credit: Andrew Billington*

## National Lottery report

**As one of the distributors of the proceeds of the National Lottery, we are required to report on a number of areas relating to how we decide to distribute Lottery funds and the administration of our grants programmes.**

### Policy Directions

Under the National Lottery etc Act 1993, the Secretary of State issued Policy Directions in November 2007, which we must take into account from April 2008 in distributing National Lottery funds. These are set out below, with a short explanation of how the directions have been met.

The references below relate to the National Lottery etc Act 1993 as amended by the National Lottery Act 1998 and subsequent Acts.

#### **a) The need to involve the public and local communities in making policies, setting priorities and distributing money**

In 2013, we updated our strategic framework for the arts, libraries and museums, which were set out in separate documents: *Achieving great art for everyone* (2010) and *Culture, knowledge and understanding* (2011), and which had been shaped by the views of artists, arts and cultural organisations, the public and our many other stakeholders and partners. The resulting document, *Great arts and culture for everyone*, provides the rationale for our investment in the arts and museums during the period 2010–2020 and will inform our future funding decisions. It will also guide our strategic development role for libraries.

We introduced a regular stakeholder focus survey in 2009 to ensure we are in touch with the views of our external stakeholders and the public, and to explore levels of trust and confidence in Arts Council England, as well as perceptions of accountability. The 2012 research added a new question to ask our stakeholders about attitudes to Lottery funding of the arts and culture which yielded strong positive support. We repeated the research in 2013 and have subsequently tracked our progress against certain issues over time, as well as any changes in opinions. We are determined to have a clear vision, complemented by strong, supportive and responsive relationships with all those we work with.

#### **b) Its assessment of the needs of the arts and its priorities for addressing them**

*Great art and culture for everyone* builds on the ambitions of its predecessors, setting out our continuing commitment to our mission and our five goals. It also brings together our responsibilities across the arts and the wider cultural sector. It describes what success

will look like, and how we intend to measure progress towards our goals.

With its focus on long-term collaborative action, this refreshed strategic framework directs Arts Council England to work with its partners to bring about positive change throughout the arts, museums and libraries. It will help create the conditions in which great art and culture can be presented and produced, experienced and appreciated by as many people in this country as possible. It will enable us to focus our investment where it can achieve the greatest impact. It will support the development of world-class museums and great libraries that engage diverse audiences. It will sustain us as we work to maintain and enhance England's status as a leading cultural force in the world.

#### **c) The need to increase access and participation for those who do not currently benefit from the cultural opportunities available in England**

In 2013/14, we awarded just over £18 million through our Creative people and places programme, including a grant of £2 million to Black Country Together. This community interest company will take art to local communities in Sandwell, Walsall and Wolverhampton via a range of activities, festivals and events, including large scale, participatory outdoor events, and caravans and circus performers popping up in local spaces. The project provides opportunities for local people to work with the best photographers, artists, film-makers and arts practitioners from the region and beyond.

Increasing public engagement with the arts is an important principle of Grants for the arts, with specific criteria that require applicants to demonstrate how the funding applied for provides opportunities for the public to engage with the arts activity. For example, Exeter Community Arts Project received £40,000 towards the costs of a large-scale community theatre project driven by the city's key organisations which brought together arts and sport. Marking the centenary of Exeter City FC, establishing football in Brazil and the declaration of the First World War, the project aimed to energise new, non-theatre audiences, telling their stories over the last century.

A brand new performance venue in Doncaster, CAST, opened in 2013/14, replacing the town's old civic theatre. The scheme received a £2 million capital award and is part of a £300 million town centre regeneration project led by the local authority. The venue will host music, dance, children's shows, theatre and comedy and will significantly improve access and participation in an area which has previously had very low levels of cultural engagement.

#### **d) The need to inspire children and young people, awakening their interest and involvement in the arts**

One of our five organisational goals outlines our commitment to a high quality arts, museums and libraries provision for children and young people. We have a number of Lottery funded programmes that support our priorities around children and young people such as the national youth music organisations.

Our Strategic touring programme awarded £141,960 to New Wolsey Theatre in collaboration with Birmingham Rep, Liverpool Everyman Playhouse and 12 satellite venues. The 'Theatre for young people by young people' project created and toured four new pieces of theatre for young people aged 14 and over, in order to build audiences and the venues' capacities to programme young people's work in the future.

Half Moon Young People's Theatre in east London gives young people an opportunity to experience the best in young people's theatre, both as a participant and as an audience member. The company produces, tours and receives professional theatre and delivers an associated inclusive participatory programme, with a particular emphasis upon engaging those often excluded in terms of culture and ability. It received a capital grant of £660,479 towards the cost of repairs and refurbishment to improve facilities and create a more accessible and welcoming venue.

#### **e) The need to foster local community initiatives which bring people together, enrich the public realm and strengthen community spirit**

We believe that the arts have the power to change lives and communities, and we have funded a range of projects that have toured across the country, from theatres to village halls.

We have supported festivals and events of national significance. In the year under review, we have awarded Welcome to Yorkshire £995,000 to support the cultural festival to celebrate the start of the Tour de France. The Imperial War Museum has been awarded £5 million to present a global programme of cultural events and activities to connect current and future generations with the lives, stories and impact of the First World War.

Through Grant for the arts, we awarded Tower Hamlets Arts and Music Education Service (THAMES) £72,648 to deliver a large-scale community vocal project involving 1,000 people, including individuals, families, community groups and sports teams.

#### **f) The need to support volunteering and participation in the arts and community arts**

We encourage high quality experiences for people participating in the arts. Voluntary and community groups are eligible to request funding and we aim to support participation through the programme. For example, under Grants for the arts, we awarded £9,700 to a project involving Paper Studio at Northumbria University, a unique facility nationally and internationally for the research, teaching and scholarship of paper in relation to fine art, conservation and archiving and the practice of papermaking. The studio worked with volunteers at the *Vulcan Bomber* exhibit at the *North East Land, Sea and Air* show to develop an exhibit relating to the Cold War nuclear threat which would later be shown at the Northern Gallery of Contemporary Art's project space.

Nottingham Playhouse received a capital award of just under £1 million to refurbish its building, enhancing creative spaces, increasing environmental sustainability and resilience and improving volunteer opportunities. The Playhouse's front of house volunteer scheme plays a vital role in embedding the theatre in its local community whilst providing valuable opportunities for participation in the arts.

#### **g) The need to encourage new talent, innovation, and excellence and help people to develop new skills**

The Grants for the arts assessment criteria support excellence, promote development opportunities, and encourage innovation and risk. We place additional priority on development of new ideas and the use of art in new contexts, formats and places. For example, Jonzi D Productions received £91,924 to create a new duet and undertake a national tour of new choreo-poetry works featuring *The Letter* and other works by hip hop theatre artist and pioneer Jonzi D. The show included regional spoken word and movement artists and was accompanied by an inter-generational workshop programme.

In 2013/14, we awarded £1.5 million to Shape and Artsadmin to provide ongoing support to deaf and disabled artists in producing high quality work and developing their practice through commissions and mentoring between 2013–16. The programme will also help to develop new collaborations with producers, venues and promoters, increase distribution of work (through touring and digital means) and afford greater opportunities for audiences to see their work.

## National Lottery report

### **h) The need to ensure that money is distributed for projects which promote public value and which are not intended primarily for private gain**

All of our application processes require applicants for funding to clearly demonstrate the expected public benefit of their proposed activity. We give this careful consideration during our assessment processes.

### **i) The need to further the objectives of sustainable development**

Our Capital investment programme is committed to furthering the objectives of sustainable development. We expect organisations applying for capital investment, as far as possible, to take account of all long-term benefits and costs – environmental, social and economic – and to consider energy efficiency as a priority.

### **j) The desirability of ensuring equality of opportunity, of reducing economic and social deprivation and ensuring that all areas of England have access to the money distributed**

We know that where people live is likely to have a profound impact on the likelihood of them attending or participating in the arts. There are considerable differences in engagement levels for regions, local authority areas and neighbourhoods across England and one of the factors that affect engagement is economic and social deprivation. The £37 million Creative people and places programme attempts to address this imbalance of engagement.

We encourage applications to Grants for the arts for activity that is happening in areas of social deprivation. The Cornish Rogue Theatre Company was awarded £48,496 towards the costs of Out of The Woods, a strategic umbrella project aiming to build an exciting and inclusive culture of theatre participation that is sustainable in the low-income towns of Camborne, Pool and Redruth.

### **k) The need to support the long-term managerial viability and leadership of organisations in the arts**

Through our part Lottery funded Developing resilient leadership programme we have awarded the Clore Leadership Programme a grant to provide fellowships to support the personal and professional development of cultural leaders. In 2013/14, the grant supported eight fellowships, four short courses, a one-week course for emerging leaders, Clore Plus workshops, regional development days and the commissioning of a scoping survey on the leadership development needs of the cultural sector.

### **l) The desirability of working jointly with other organisations, including other distributors**

We recognise that through partnership working and alignment of our activities at local and national level greater benefits can be realised for the economy, as well as increasing the effectiveness and impact of our Lottery funded activity. When assessing applications to Grants for the arts, we seek comments from local authorities on applications that are of strategic significance in their area. With major capital projects, we work closely with other funders to ensure that we have a common understanding and approach to the particular circumstances of each project. We continue to meet regularly with the other distributors to explore and discuss the best ways to get the most out of Lottery money for good causes.

We have also developed close relationships with a number of organisations including Visit England, the National Trust and the Canal & River Trust to work jointly to promote art and cultural projects, especially in places that are not traditional arts venues. For example, The National Trust delivered a pilot programme in 2013, commissioning six new art works at Cragstone, Northumberland, which enabled artists to work in a unique heritage setting.

### **m) The need to ensure that all those receiving Lottery money acknowledge it using the common Lottery branding**

We recognise how important it is that the public can see how the Lottery has benefited the arts and other good causes. We make it a condition of funding for all successful applicants that they acknowledge receiving Lottery funding by using the common Lottery branding.

### **n) The need to require an element of partnership funding, or contributions in kind from other sources, to the extent that this is reasonable to achieve for different kinds of applicants in particular areas**

All our funding programmes require applicants to demonstrate their ability to attract partnership funding from other sources when this can be reasonably expected. We believe that this is important, not only because it means that our Lottery funds go further, but also because it demonstrates that the proposed activity has the support of the wider community and others. Our Catalyst programme requires organisations to raise money from private giving as match funding for their grants and it awarded £7.4 million in the year under review.

### **o) The need (a) to support projects which are for a specific, time-limited purpose, (b) to ensure that Arts Council England has the necessary information and expert advice to make decisions on each**

### **application and (c) for applicants to demonstrate the financial viability of projects**

We use our Lottery funding for specific time-limited projects. Our application materials and assessment processes have been reviewed and developed over a number of years to ensure that we have the necessary information on which to base decisions.

### **Monitoring and evaluation**

We continue to use a single set of principles to inform the level of monitoring we carry out for each of our funding programmes. The level is based on an analysis of risk that takes into consideration:

- the amount of money involved
- the strategic importance of the activity
- any other risk factors

We do not necessarily avoid risk; it is often a central aspect of the creative process. Our approach is to manage risk by carefully assessing all applications we receive and tailoring our monitoring requirements on a project-by-project basis. Where the risks associated with a project are considered low, a 'light touch' approach is adopted, enabling us to concentrate our resources on monitoring and supporting projects where the risks may be higher.

We evaluate our funding programmes regularly to assess whether they are delivering the benefits that we expect for artists, arts organisations and the wider public. We use the findings of such evaluations to refine existing programmes and inform the development of future ones.

### **Lottery funded programmes**

The following section provides details of Lottery funded programmes – delivered by us or our appointed partner organisations – that are open to applications over several years and which accepted applications in 2013/14.

### **Artsmark and Arts Award**

Artsmark, Arts Council England's national programme, enables schools, further education colleges and youth justice settings to evaluate, celebrate and strengthen a quality arts offer. It supports formal education institutions to deliver rich and high quality provision. Trinity College London are delivering the Artsmark programme for the period 2012–15. We are committing £4.5 million to the Artsmark programme during this time. A total of 3,230 schools have a current Artsmark.

Trinity College London has also managed Arts Award in association with Arts Council England since 2005. Arts Award is a national qualification that aims to deepen

young people's engagement with the arts through practical experience. There are nearly 4,000 Arts Award centres in England.

### **Capital investment**

Over the period 2012–15, our £243.6 million Lottery-funded Capital investment programme will support organisations to develop resilience by giving them the right buildings and equipment to deliver their work, and to become more sustainable and resilient businesses. Funding rounds for both large and small grants were open to applications in 2013/14 resulting in just over £31.4 million of awards.

### **Creative employment programme**

The Creative employment programme will help nurture young talent by providing paid experience in the sector. Our key partner from December 2013 to March 2015, the Skills Academy, will be responsible for delivering our funding of up to £15 million which will directly benefit unemployed young people.

### **Digital R&D Fund**

The £7 million Digital R&D Fund for the Arts was launched by Arts Council England in partnership with NESTA and Arts and Humanities Research Council. The fund will support research and development projects from 2012/13 over three years that use digital technology to enhance arts' audience reach and/or explore new business models.

The 15 successful projects of the second and third rounds of the fund were announced last year. They include Extant, a performing arts company created by a group of visually impaired artists, which is developing an 'immersive installation' – including new devices which respond to touch – aiming to break down barriers between how visually impaired and sighted people experience the arts.

### **Grants for the arts**

Grants for the arts is our flagship open application programme that provides Lottery funding to individuals and organisations and for national activities. Grants range from £1,000 to £100,000 (although we may fund activities to a higher value in exceptional circumstances, and can cover activities lasting up to three years). 2013/14 was the tenth full year of operation and saw the programme make nearly £70 million in Lottery awards.

### **Strategic touring**

The £45 million Strategic touring programme launched in 2012 and is designed to encourage collaboration between organisations so that more people across England experience and are inspired by the arts, particularly

## National Lottery report

in places which rely on touring for much of their arts provision. In 2013/14, 61 projects were awarded over £9 million, enabling people across England to experience high quality art touring to their local area.

### Youth Music

Youth Music is the leading UK charity committed to enabling life-changing music making experiences for children and young people, particularly those with least opportunity.

Through its grant making process, the Youth Music programme invests in music education organisations and projects throughout England to deliver learning opportunities across all styles of music, for children and young people who would not normally get the chance.

The Youth Music Network is the charity's online community of professionals working in music education to share best practice, disseminate research and drive fresh thinking across the music education sector.

### Strategic Lottery programmes

Strategic funding is used alongside our National portfolio investment to target particular challenges, opportunities or gaps in the delivery of those priorities. It is open to any individual, organisation or consortium that meet the eligibility criteria.

Awards support additional work, rather than the running costs of arts organisations. National portfolio organisations that apply will need to show how work supported by strategic funding is additional to their core programme.

Strategic funding must be invested in arts activities, as required by Lottery regulations. Museums and libraries can therefore only apply to this programme for work that is primarily arts focused.

Details of the strategic Lottery programmes that were open to applications in 2013/14 are as follows:

### Audience Focus

Audience Focus is a £7.5 million fund from which we will commission work to make the arts more audience focused and invest in initiatives that increase, widen and sustain audiences and visitors for the arts. In 2013/14, we continued work on developing three large-scale, exciting and ambitious programmes, each covering one of the objectives of the fund: understanding audiences; collaborative action; and best practice.

### Arts and older people

In partnership with the Baring Foundation, the programme aims to reach the 400,000 older people currently in residential homes, many of whom are often excluded from the benefits of participating in high quality arts experiences. In 2013/14, we awarded £750,000 to four consortia to deliver a three-year programme to improve access to arts and culture in this sector.

### Catalyst Arts:

Catalyst Arts: is a £7 million fund which was open to applications from consortia and enables arts organisations with an underdeveloped fundraising model to increase capacity and expertise and improve their resilience. We awarded £7.3 million to 64 organisations in the year under review.

### Creative people and places

Creative people and places, a £37 million fund covering 2012–15, focuses our investment on parts of the country where people's involvement in the arts is significantly below the national average, with the aim of increasing the likelihood of participation. In 2013/14, the initiative invested just over £18 million in 11 programmes of activity that use radical new approaches to develop excellent, inspiring and sustainable arts experiences for communities not currently engaging with the arts.

### Cultural destinations

The Cultural destinations programme is part of a three year partnership between Arts Council England and VisitEngland, the national tourist board. In 2013/14, we awarded nearly £3.5 million in grants to 10 organisations to enable arts and cultural organisations, working in partnership with Destination Management Organisations, to increase their reach, engagement and resilience through working with the tourism sector.

### The Space

Managed by Arts Council England and developed in partnership with the BBC, The Space is a digital arts and culture media service designed to change the way people can connect with and experience the arts. In 2012, £3.5 million of Lottery funding was committed to The Space to fund 51 new art commissions to be shown on the platform.

Following the completion of the initial pilot phase, Arts Council England and the BBC commissioned a comprehensive evaluation of the service. In order to move towards a sustainable future legacy for the initiative,

Arts Council has since established 'The Space' as a community interest company (CIC). The CIC is the intended grant applicant and service provider for the next phase, The Space 2.0, which will launch in 2014/15.

### Financial Directions

Under section 26(3), (3a) and 4 of the National Lottery etc Act 1993 (as amended by the National Lottery Act 1998), the Secretary of State issued Financial Directions to the Arts Council England, as set out below:

'The Arts Council of England ('the Council') shall comply with the requirements contained within the attached Statement of Financial Requirements, which have the status of Directions under section 26 of the National Lottery etc Act 1993, as amended ('the Act'). The Statement of Financial Requirements complements the Council's Management Statement and Financial Memorandum (MS/FM), which deals with corporate management matters and with the application of non-Lottery funds, and should be read in conjunction with the MS/FM.'

We confirm that, to the best of our knowledge, we complied fully with the financial requirements in 2013/14. A copy of the Statement of Financial Requirements is publicly available.

### Performance against targets for administrative efficiency.

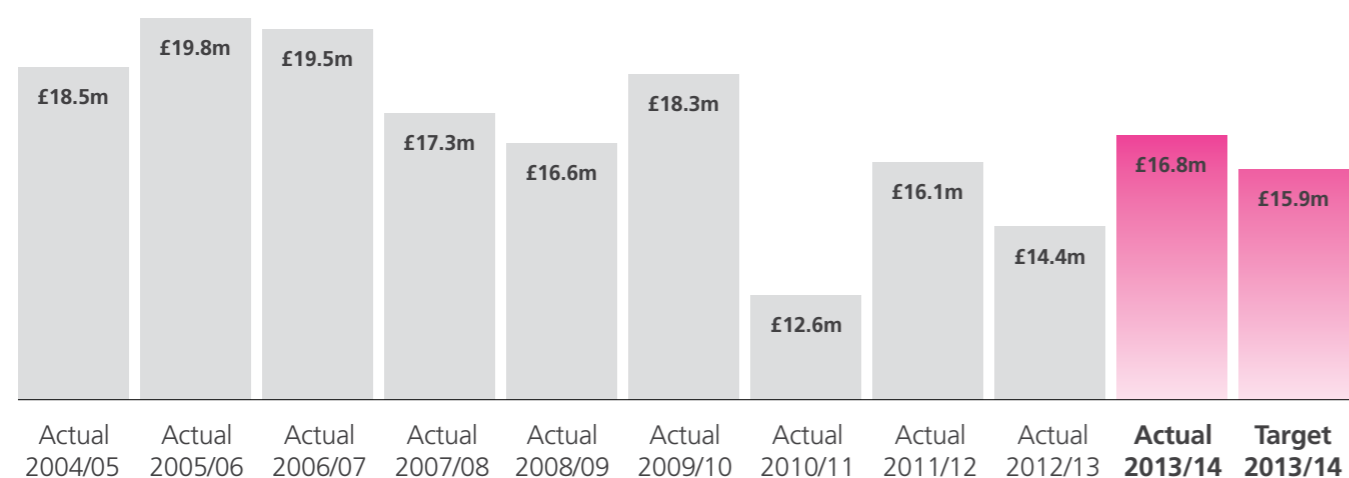
The financial year 2013/14 was the fourth year covered by our 10-year strategic framework. October 2013 saw the launch of our 'green book', *Great art and culture for everyone*, which updates our 10-year strategic framework, now fully integrating the arts, museums and libraries. It builds on the ambitions of *Achieving great art for everyone* and *Culture, knowledge and understanding: achieving great museums and libraries for everyone*, setting out our continued commitment to our mission and our five goals.

Detailed information on our goals can be found on pages 20 to 39. These goals have been central to all of our Lottery funded activities.

## National Lottery report

### Lottery administration costs

The Lottery Forum, which is made up of representatives from all of the Lottery distributors, has agreed, in conjunction with DCMS, to publish annually the following information about the costs of administering the distribution of Lottery funds. The actual Lottery administration costs data below shows that the 2013/14 administration costs are nearly £1 million more than the target. This is because the target figure was calculated using the 2012/13 Lottery recharge percentage from the Grant-in-Aid accounts of 38 per cent. The recharge percentage is calculated using the value and volume of grants funded by the National Lottery compared with the total value and volume of grants overall (both Grant-in-Aid and Lottery). In 2013/14 this percentage is significantly higher because Lottery funded grants have increased in terms of value and volume compared to 2012/13.



### 1 Actual Lottery administration costs

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2013/14
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Target
Actual administrative costs*	18.54	19.77	19.49	17.33	16.55	18.34	12.63	16.06	14.43	<b>16.84</b>	<b>15.87</b>

\*Excludes exceptional items and one-off IT development costs. In 2013/14, the total costs excluded are £443,000.

### 2 Adjusted Lottery administration costs

The figures in this table are for illustration only and shows administration costs adjusted for inflation using inflation rates as defined by the Treasury's GDP deflators.

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2013/14
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Adjusted administrative costs*, **	18.54	19.42	18.61	16.14	14.99	16.17	10.85	13.48	11.90	<b>13.65</b>	<b>12.91</b>

\* Excludes exceptional items and one-off IT development costs

\*\* Figures have been adjusted for inflation using 2004/05 as the base year

### 3 Actual Lottery administration costs as a proportion of Lottery income

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
Actual administration costs as % of Lottery income*	10.96%	11.49%	13.05%	11.44%	10.92%	10.59%	6.95%	7.53%	5.30%	<b>7.11%</b>

\*Excludes exceptional items and one-off IT development costs

### Grants processing times

Since the start of our flagship Lottery programme, Grants for the arts in April 2003, we have undertaken to process applications to decision within the following turnaround times:

Size of application	Turnaround time
Applications for funding up to and including £15,000:	6 weeks
Applications for funding for £15,001 and above:	12 weeks



## National Lottery report

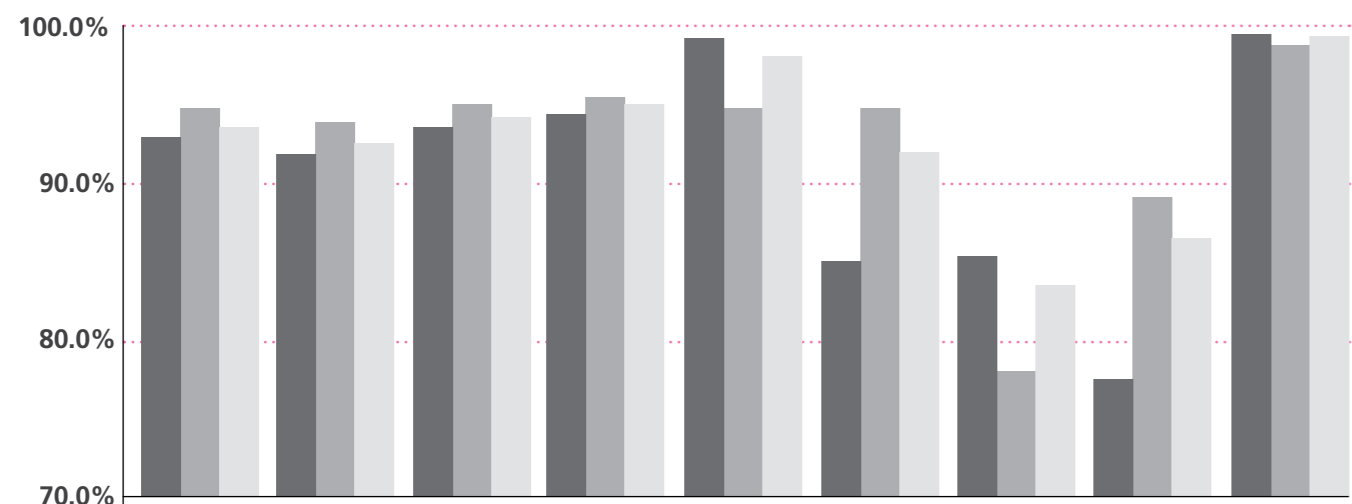
Since 2009/10 we have adopted a target of processing 90 per cent of all applications within our stated turnaround times. The thresholds were increased on 1 July 2013 from £10,000 to £15,000. The chart below shows how we've performed against this target.

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2013/14	2013/14
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual*	Actual**	Target
<b>A</b>	88.8%	93.2%	92.9%	91.7%	93.6%	94.3%	99.1%	84.9%	85.2%	<b>77.4%</b>	<b>99.6%</b>	<b>90%</b>
<b>B</b>	90.9%	92.8%	94.7%	93.8%	94.9%	95.3%	94.7%	94.7%	77.9%	<b>89.0%</b>	<b>98.5%</b>	<b>90%</b>
<b>C</b>	89.6%	93.0%	93.6%	92.5%	94.1%	94.9%	98.0%	91.9%	83.5%	<b>86.4%</b>	<b>99.4%</b>	<b>90%</b>

- A** % of applications for up to £15,000 processed in six weeks or less (£10,000 prior to 1 July 2013)
- B** % of applications for £15,001 and above processed in 12 weeks or less (£10,000 prior to 1 July 2013)
- C** Overall % of applications processed within target time

\* Grant thresholds of £10,000 and under, and £10,001 and over  
 \*\* Grant thresholds of £15,000 and under, and £15,001 and over

Please note that for the years 2004/05 to 2009/10 the target time was six weeks for applications for up to £5,000 and 12 weeks for applications over £5,000.



	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2013/14
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual*	Actual**
<b>A</b>	92.9%	91.7%	93.6%	94.3%	99.1%	84.9%	85.2%	<b>77.4%</b>	<b>99.6%</b>
<b>B</b>	94.7%	93.8%	94.9%	95.3%	94.7%	94.7%	77.9%	<b>89.0%</b>	<b>98.5%</b>
<b>C</b>	93.6%	92.5%	94.1%	94.9%	98.0%	91.9%	83.5%	<b>86.4%</b>	<b>99.4%</b>

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\* Grant thresholds of £10,000 and under, and £10,001 and over  
 \*\* Grant thresholds of £15,000 and under, and £15,001 and over

### Policy on additionality

Arts Council England and the organisations that distribute Lottery funds on its behalf recognise and respect the additionality principles of Lottery funding. Lottery funding enables us to extend the reach and increase the impact of the activity that we could undertake if only Exchequer funds were available. Together with the other Lottery distributors who make up the Lottery Forum, we have agreed to share the following common definition of additionality:

'Lottery funding is distinct from government funding and adds value. Although it does not substitute for Exchequer expenditure, where appropriate it complements government and other programmes, policies and funding'.

We and our delegates will have regard to the principles of additionality and this policy when we set the strategic objectives of our Lottery-funded programmes and when we decide how each programme will operate. We have, and will continue to use, Lottery funding to fund specific time-limited activity that would not take place without the support of the Lottery.

### Performance against strategic objectives

The financial year 2013/14 was the first year covered by our refreshed strategic framework, *Great art and culture for everyone*, which set out details of our five goals for the arts and culture. Detailed information on our goals can be found on pages 20 to 39. These goals have been central to all of our Lottery-funded activities.

### Customer service charter

In June 2008, we agreed with the other Lottery distributors and with DCMS to replace our common customer service charter with a set of customer service principles.

### Progress report on major Lottery awards over £5 million

This section reports on projects that have received capital awards totalling over £5 million, even if they involve a number of separate awards. It includes any projects that were active at 1 April 2013 but fully paid during 2013/14 and those with outstanding balances at 31 March 2014. The totals reflect any changes made to awards since the original decisions. The projects are divided into three sections:

- A** Projects still to be completed at 31 March 2014
- B** Projects completed and opened during 2013/14
- C** Projects completed and opened in previous years but with final payments still outstanding at 1 April 2013

### A Projects still to be completed at 31 March 2014

**Bristol Old Vic: £5,000,000**  
 The phased refurbishment project will demolish and replace the existing annexe to create a new foyer with studio theatre, improved office facilities, bar/dining area and events space. Due to complete in 2016/17, the project should facilitate new trading opportunities and improve financial resilience and environmental sustainability.  
**£332,500 paid (7 per cent of the total award)**

### Chichester Festival Theatre: £12,000,000

This project will refurbish and extend the Grade II\* festival theatre set in the grounds of Oaklands Park. It will redevelop the front of house spaces, auditorium and extend the back of house facilities. The capital works will improve the facilities for artists, staff and the audience experience including capacity, access, sightlines, décor and the exterior parkland environment. The project is due for completion in 2014/15.  
**£9,674,563 paid (81 per cent of the total award)**

### Lyric Theatre Hammersmith: £6,000,000

The Lyric Theatre Hammersmith project will make improvements to the existing building as well as create a range of new facilities, including an extension on an adjacent site to house the first ever teaching theatre for the performing arts. This will allow young people to participate in cross artform formal statutory training as well as education activities. The project is due for completion in 2014/15.  
**£4,183,776 paid (70 per cent of the total award)**

### Manchester City Council: £5,500,000

Manchester City Council is developing a new production centre for international contemporary art, theatre and film (called HOME) as part of a wider mixed use development in Manchester city centre. It will be a digitally enabled, low carbon venue that will provide opportunities for showcasing new work and increase audience engagement and education work. The first operators of the venue will be Greater Manchester Arts Centre formed by the merger of Cornerhouse and the Library Theatre Company, and it is due for completion in 2014/15.  
**£0 paid (0 per cent of the total award)**

### Royal Liverpool Philharmonic Society: £7,500,000

Refurbishment of the 1939 Art Deco Grade II\* Liverpool Philharmonic Hall and replacing the rear annexe will improve the experience for resident/visiting musicians, audiences and participants and increase environmental and economic sustainability. The project is due for completion in 2014/15.  
**£266,867 paid (4 per cent of the total award)**

## National Lottery report

### Royal National Theatre: £17,500,000

NT Futures will transform the current National Theatre building – inside and outside – including the public spaces and behind the scenes. This project will improve the experiences of those who visit and work in the theatres, and will generate new spaces for learning, production and recreation. The project is due for completion in 2014/15.  
**£6,645,450 paid (38 per cent of the total award)**

### Royal Opera House: £10,000,000

The Royal Opera House is undertaking a strategic programme of capital improvements over a four year period to ensure that it can continue to stage a world-class programme of opera, ballet and dance, and to continue to compete in an international market. The project is due for completion in 2016/17.  
**£2,095,998 paid (21 per cent of the total award)**

### Southampton City Council: £7,344,000

Southampton's new arts complex will create dramatic new contemporary arts spaces in the heart of the city, built on the old Tyrrell and Green site. The new arts complex will bring internationally acclaimed art exhibitions and a full programme of performing arts. These will share their home with outstanding resources for film-makers, providing new creative opportunities for everyone across the city and beyond.  
**£1,076,699 paid (15 per cent of the total award)**

### B Projects completed and opened during 2013/14

After a project has been completed and opened, Arts Council England retains a percentage of the award for payment until a full account for the project has been received.

### Liverpool and Merseyside Theatres Trust: £17,027,719

**(Lottery: £16,931,311; Grant-in-Aid: £96,408)**

The Liverpool and Merseyside Theatres Trust run both the Everyman Theatre and the Playhouse Theatre. This project rebuilt the Everyman building on the current site using an enlarged footprint provided by a previous building purchase. The building retained the unique character of the main auditorium while significantly improving backstage and public facilities and providing extra space for the community and new writing programmes. March 2014 saw the high profile reopening of the theatre to great acclaim and with huge support from Liverpool residents and friends of the theatre.

**£13,169,528 paid (77 per cent of the total award)**

### Rambert Trust Limited: £7,000,000

Rambert Trust Limited built a new headquarters at Doon Street, London, adjacent to the National Theatre. This building will increase their profile and will put dance at the heart of the UK's highest concentration of creative organisations. The aim of the new building is to improve Rambert Dance Company's already excellent artistic standards, create a national centre for choreography, allow their outreach programme to grow and increase accessibility of the company. The building was opened in March 2014 by Her Majesty The Queen who met dancers, staff, and some of the team responsible for designing and building Rambert's new home.

**£6,552,959 paid (94 per cent of the total award)**

### Theatre Royal Plymouth: £5,000,000

This project renovated and modernised the Theatre Royal's front of house facilities, including catering, corporate hospitality and retail facilities, external facades, and re-landscaping of public approaches to the building and its entrances. It also created a workshop space for creative learning and community programmes. The theatre reopened in September 2013.

**£4,521,720 paid (90 per cent of the total award)**

### C Projects completed and opened in previous years but with final payments still outstanding at 1 April 2013

After a project has been completed and opened, Arts Council England retains a percentage of the award for payment until a full account for the project has been received.

### Colchester Borough Council: £7,703,303 (Lottery: £7,509,906; Grant-in-Aid: £193,397)

Colchester Borough Council worked in partnership with the firstsite art gallery towards the development of a new visual arts facility that showcases established artists and emerging talent and meets a regional need for a large-scale, contemporary visual arts venue. The spaces will also act as a focus for the University of Essex's Latin American art collection. The firstsite gallery opened in September 2011.

**£7,703,303 paid (100 per cent of the total award)**

- 1 Review of the year
- 2 Highlighted information
- 3 Grant-in-Aid accounts
- 4 Lottery distribution accounts
- 5 National Lottery report



*The Annunciation of the Virgin Deal* (Detail), 2012.  
Credit: Courtesy the Artist and Victoria Miro, London  
©Grayson Perry. Photography: Stephen White



*Peter Grimes* opera on the beach, Aldeburgh Music.  
Credit: Robert Workman



Burnley Youth Theatre.  
Credit: Burnley Youth Theatre



*U.Dance 2013*, Leeds.  
Credit: Brian Slater and Youth Dance England



Talawa Theatre's production of *Moon on a Rainbow Shawl*. Credit: Richard Hubert Smith



Daniel Connor in Motionhouse's production of *Broken*. Credit: Katja Ogrin



Family Creative Dance Workshop at the Family Arts Festival 2013.  
Credit: Richard Kenworthy



New Art Gallery.  
Credit: Craig Holmes



Sage Gateshead.  
Credit: Mark Savage



The Hepworth Wakefield by David Chipperfield Architects. Credit: Iwan Baan



Nottingham Contemporary.  
Credit: Andy Taylor Smith



AND Fair at AND Festival 2013, Manchester.  
Credit: Chris Foster



Northern Ballet's *Three Little Pigs*.  
Credit: Brian Slater



*I'd Hide You* by Blast Theory, Brighton.  
Credit: © Blast Theory



Father reading with his daughter as part of Summer Reading Challenge. Credit: Dave Warren Picture Team / The Reading Agency



Rambert Dance Company.  
Credit: Nick Guttridge



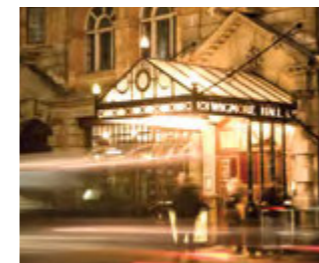
Turner Contemporary, Margate. Credit: Richard Bryant, Arcaidimages.com



Sir Peter Bazalgette, Chair, Arts Council England. Credit: Philippa Gedge



*The Iron Man* by Graeae.  
Credit: Alison Baskerville



Wigmore Hall, London.  
Credit: Nick Guttridge



Readers at Manchester Central Library.  
Credit: Joel Fildes



The opening of Manchester Central Library. Credit: Joel Fildes



Brighton Digital Festival.  
Credit: Jon Pratty



Royal Shakespeare Company's production of *Richard II* with David Tennant.  
Credit: Kwame Lastrade



Alan Davey, Chief Executive, Arts Council England.  
Credit: Philippa Gedge



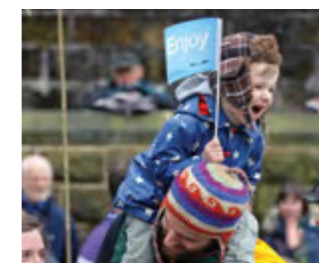
Alan Oke in *Peter Grimes*, Aldeburgh Music in Suffolk.  
Credit: Aldeburgh Music and Robert Workman



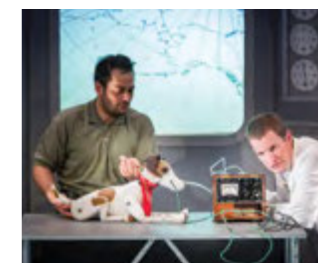
Teleman.  
Credit: Pooneh Ghana



IdeasTap Inspires event nationwide. Credit: Sara Hill



Revellers at Tour de France Grand Depart, part of Yorkshire Festival.  
Credit: Joel Fildes



English Touring Opera's *Laika the Spacedog*.  
Credit: Bob Workman



In Harmony, Nottingham.  
Credit: Alan Fletcher

- 1 Review of the year
- 2 Highlighted information
- 3 Grant-in-Aid accounts
- 4 Lottery distribution accounts
- 5 National Lottery report



Children at the National Football Museum. Credit: Jason Lock on behalf of the National Football Museum



Getting into character at Beamish, The Living Museum Of The North in County Durham. Credit: Joel Fildes



*Puffball*, directed by Mark Storer and produced by the Roundhouse. Credit: Stephen White



*Season in the Congo*, Young Vic in London. Credit: Johan Persson



*Puffball*, directed by Mark Storer and produced by the Roundhouse. Credit: Stephen White



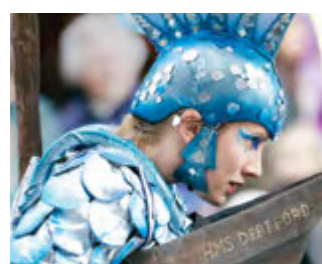
DanceSyndrome, *Mission 25*. Credit: Tim Cross Photography



*Deepa and Genesh* from the Manchester International Festival in 2013. Credit: Joel Fildes



Viva member Catherine Coeshott learning to play the pan drum with 'Bubbles'. Credit: Ben Cole



*Moths Parade*, part of Imagineer productions and Worcester Museums event. Credit: Ian Fletcher



*BIANCO: Turning Savage* by NoFit State Circus, which formed part of the Appetite project in Stoke-on-Tent during 2013. Credit: Andrew Billington

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